VALDOR TECHNOLOGY INTERNATIONAL INC.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Stated in US Dollars)

Crowe MacKay LLP
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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 statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficit and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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, 2015 and December 31, 2014 and its financial performance and its cash flows for the years 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.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, British Columbia
May 9, 2016

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014
(Stated in US Dollars)

	2015	2014
ASSETS		
Current		
Cash	$ 881	$ 130,772
Accounts receivable – Note 15a	108,272	78,210
Inventories – Note 3c	-	463,872
Prepaid expenses and deposit – Note 12	6,441	73,527
Discontinued operations	75,127	-
	190,721	746,381
Equipment – Note 6	4,706	161,624
Intangible assets – Note 7	-	279,300
Total Assets	$ 195,427	$ 1,187,305
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 388,374	$ 565,642
Deferred revenue	-	57,992
Loans payable – Note 8	32,512	-
Promissory note payable – Note 5	-	350,000
Due to related parties – Note 9	343,107	194,624
Current portion of lease obligation – Note 15b	10,867	10,867
Current portion of contingent consideration – Note 5	-	7,616
Discontinued operations	179,147	-
	954,007	1,186,741
Convertible debentures – Note 10	274,246	313,324
Lease obligation – Note 15b	10,025	19,955
Contingent consideration – Note 5	-	276,888
Total liabilities	1,238,278	1,796,908
SHAREHOLDERS' DEFICIT		
Equity portion of convertible debentures – Note 10	45,385	45,385
Share capital – Note 11	22,732,750	21,889,807
Subscriptions received in advance	-	166,466
Contributed surplus	3,738,757	3,286,632
Accumulated other comprehensive income	158,366	24,854
Accumulated deficit	(27,073,108)	(25,403,911)
Attributable to parent	(397,850)	9,233
Non-controlling interest	(645,001)	(618,836)
Total Shareholders' Deficit	(1,042,851)	(609,603)
Total Liabilities and Shareholders' Deficit	$ 195,427	$ 1,187,305

Going Concern of Operations – Note 2b
Commitments – Notes 10 and 11c
Contingency – Notes 5 and 17
Subsequent Events – Note 20

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Elston Johnston" Director
Elston Johnston

"Brian Findlay" Director
Brian Findlay

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended December 31, 2015 and 2014
(Stated in US Dollars)

	2015	2014
Revenue – Note 14	$ 202,912	$ 88,974
Cost of goods sold – Schedule I	109,290	45,868
Gross profit	93,622	43,106
Expenses		
Administration and general – Schedule II	1,094,706	1,741,109
Amortization and depreciation	736	797
Marketing	3,919	14,015
Research and development	75,526	71,029
Interest and accretion – Note 10	53,746	56,218
Share-based payments – Notes 11 and 12	334,405	122,470
	1,563,038	2,005,638
Loss before other items	(1,469,416)	(1,962,532)
Other items:		
Foreign exchange gain (loss)	-	(4,999)
Write-off of accounts payable	39,700	-
Net loss from continuing operations	(1,429,716)	(1,967,531)
Net loss from discontinued operations – Note 18	(265,646)	(549,425)
Net loss for the year	(1,695,362)	(2,516,956)
Other comprehensive income		
Exchange differences on translating into presentation currency	133,512	19,540
Total comprehensive loss for the year	$ (1,561,850)	$ (2,497,416)
Basic and diluted loss per share – Continuing operations	$ (0.01)	$ (0.02)
Discontinued operations	$ (0.00)	$ (0.01)
All operations	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding – basic and diluted	110,868,450	92,437,775

For the year ended December 31, 2015:

Losses attributable to:	Shareholders of parent	Non-controlling interest	Total
Net loss from continuing operations	$ (1,419,490)	$ (10,226)	$ (1,429,716)
Net loss from discontinued operations	$ (249,707)	$ (15,939)	$ (265,646)
Net loss for the year	$ (1,669,197)	$ (26,165)	$ (1,695,362)
Total comprehensive loss for the year	$ (1,535,685)	$ (26,165)	$ (1,561,850)

For the year ended December 31, 2014:

Losses attributable to:	Shareholders of parent	Non-controlling interest	Total
Net loss from continuing operations	$ (1,950,024)	$ (17,507)	$ (1,967,531)
Net loss from discontinued operations	$ (516,460)	$ (32,965)	$ (549,425)
Net loss for the year	$ (2,466,484)	$ (50,472)	$ (2,516,956)
Total comprehensive loss for the year	$ (2,446,944)	$ (50,472)	$ (2,497,416)

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014
(Stated in US Dollars)

	2015	2014
Operating Activities		
Net loss for the year from continuing operations	$ (1,429,716)	$ (1,967,531)
Charges to net loss not affecting cash:		
Amortization and depreciation	1,215	1,317
Accretion	12,585	11,040
Accrued interest	37,630	40,725
Write-off of accounts payable	(39,700)	-
Unrealized foreign exchange loss	-	4,999
Share-based payments	334,405	122,470
	(1,083,581)	(1,786,980)
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(82,583)	1,455
Inventories	18,988	11,833
Prepaid expenses and deposit	55,730	49,094
Accounts payable and accrued liabilities	24,182	159,953
Cash provided by (used in) operating activities – continuing operations	(1,067,264)	(1,564,645)
Cash provided by (used in) operating activities – discontinued operations	(104,738)	238,485
Cash flows used in operating activities from all operations	(1,172,002)	(1,326,160)
Financing Activities		
Increase in due to related parties	148,483	167,842
Proceeds from loans payable	32,512	-
Subscriptions received in advance	-	166,466
Proceeds from issuance of common shares	794,197	1,688,376
Repayment of lease obligation	(9,930)	(4,812)
Proceeds from convertible debentures	-	46,563
Cash provided by (used in) financing activities – continuing operations	965,262	2,064,435
Cash provided by (used in) financing activities – discontinued operations	(5,000)	(250,000)
Cash flows provided by financing activities from all operations	960,262	1,814,435
Investing Activities		
Acquisition of Videoware assets	-	(500,000)
Cash provided by (used in) investing activities – continuing operations	-	(500,000)
Cash provided by (used in) investing activities – discontinued operations	-	(54,164)
Cash flows provided by (used in) investing activities from all operations	-	(554,164)
Effect of unrealized foreign exchange gain (loss) on cash	81,849	(17,711)
Decrease in cash during the year	(129,891)	(83,600)
Cash, beginning of the year	130,772	214,372
Cash, end of the year	$ 881	$ 130,772

Supplemental disclosure – See Note 19

VALDOR TECHNOLOGY INTERNATIONAL INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT
For the years ended December 31, 2015 and 2014
(Stated in US Dollars)

	Share capital		Subscriptions (receivable) received in advance	Equity portion of convertible debentures	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Non-Controlling Interest	Total
	Issued Shares	Amount							
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 CDN$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)
Shares issued for cash:									
Pursuant to a private placement – at CDN$0.10	11,710,500	792,233	(203,231)	-	139,806	-	-	-	728,808
On exercise of share purchase warrants – at CDN$0.10	100,000	7,631	-	-	-	-	-	-	7,631
On exercise of share purchase options - at CDN$0.05	1,500,000	57,758	-	-	-	-	-	-	57,758
Fair value of stock options exercised	-	23,590	-	-	(23,590)	-	-	-	-
Shares issued as finders fees	126,000	8,524	-	-	1,504	-	-	-	10,028
Share issue cost	-	(10,028)	-	-	-	-	-	-	(10,028)
Shares returned to treasury	(500,000)	(36,765)	36,765	-	-	-	-	-	-
Share-based payments	-	-	-	-	334,405	-	-	-	334,405
Exchange differences on translating to presentation currency	-	-	-	-	-	133,512	-	-	133,512
Net loss for the year	-	-	-	-	-	-	(1,669,197)	(26,165)	(1,695,362)
Balance, December 31, 2015	113,042,220	$ 22,732,750	$ -	$ 45,385	$ 3,738,757	$ 158,366	$ (27,073,108)	$ (645,001)	$ (1,042,851)

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). During the year ended December 31, 2015, the Company sold substantially all of the assets and certain liabilities in connection with the video streaming operations (Note 18).

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 3116 Diablo avenue, Hayward, CA 94545-2702.

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, 2015.

The consolidated financial statements were authorized for issue by the Board of Directors on May 9, 2016.

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, 2015, the Company has not achieved profitable operations, has accumulated losses of $27,073,108 (2014 - $25,403,911) since inception and expects to incur further losses in the development of its business, and has a working capital deficiency of $763,286 (2014 - $440,360), all of which are material uncertainties that cast 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 judgments 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 future periods if the revision affects both current and future periods. See Note 4 for use of estimates and judgments 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 are 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	Country of Incorporation	Percentage Held 2015	Percentage Held 2014	Principal Activity
Fiberlight Optics, Inc.	USA	94%	94%	Inactive
Valdor Fiber Optics, Inc.	USA	94%	94%	Sale of fiber optics products

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, 2015 and 2014, 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.

	2015	2014
Raw material	$ -	$ 209,288
Work-in-process	-	125,260
Finished goods	-	129,324
Total inventories	$ -	$ 463,872

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 are 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 are 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.

g) Leases

Leases are classified as either finance or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Company are accounted for as finance leases. At the time a finance lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under finance leases is amortized on the same basis as described above. Operating lease payments are recognized as an operating expense in the profit or loss on a straight-line basis over the lease term.

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

h) 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 presentation currency. The functional currency of the US subsidiaries are US dollars as it is the currency in which the majority of their 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. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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.

i) 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.

j) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss 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 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)

j) 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 date of the statement of financial position 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.

k) 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.

l) 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 options or warrants are issuable for a fixed amount of cash.

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

l) 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.

m) 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. The Company also makes an estimate of the forfeiture rate based on historical information.

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

m) 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.

n) 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 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. Financial assets at FVTPL are measured at fair value and changes in fair value are recognized in profit or loss. Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured are measured at cost. All other 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 profit or loss. 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. The investment in shares of Niagara Video Corp. (see Note 18) has been classified as AFS financial assets as the Company determined that it does not have significant influence over the investee. The shares do not have a quoted price in an active market and accordingly, are carried at cost.

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

n) Financial Instruments – (cont'd)

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.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of accounts 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 financial assets 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, loans payable, 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 accreted over the life of the loan using the effective interest method and measured at amortized cost. 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)

n) 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.

o) 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.

p) New standards, amendments and interpretations

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2015. The following new standards, amendments and interpretations have been adopted in these consolidated financial statements effective January 1, 2015:

- 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. The adoption of these amendments had no material impact on the consolidated financial statements.

- 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. The adoption of these amendments had no material impact on the consolidated financial statements.

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

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

- The amendments to IFRS 8 *Operating Segments* require disclosure of the judgments made by management in applying the aggregation criteria to operating segments, and clarify that reconciliations of segment assets is only required if segment assets are reported regularly. The adoption of these amendments had no material impact on the consolidated financial statements.

q) Future Accounting Pronouncements

The following new standards and amendments are not yet effective and have not been applied in preparing these consolidated financial statements. The Company does not plan to early adopt any of these standards and amendments and is currently evaluating their potential impacts.

- Amendments to IAS 7 *Statement of Cash Flows* require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.

- 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, 2018.

- IFRS 16 *Leases* establishes a single lease accounting model requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting in IFRS 16 substantially unchanged from the predecessor standards IAS 17 Leases. The standard replaces IAS 17 Leases and related interpretations. This standard is effective for reporting periods beginning on or after January 1, 2019.

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 accounts receivable.

b) 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, forfeiture rate, 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.

c) Estimate of the shares of Niagara Video Corp.

The determination of the fair value of the shares of Niagara Video Corp. required management to make estimates regarding the fair value of the shares on the date received. Management has determined that the investment in the shares is considered to be financial instruments that are not quoted in an active market. Due to the uncertainty of the investment the Company has decided to value the investment at a $Nil amount at the date of acquisition on December 31, 2015.

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

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

a) Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.

b) 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.

c) 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 US subsidiaries, management considered the currency that mainly influences the costs of providing goods and services in each jurisdiction in which the Company operates.

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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, Inc. located in Grapevine, Texas for consideration of $1,384,000 and the assumption of debt.

The Company determined that this transaction was 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 II 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.

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

During the year ended December 31, 2015, the Company disposed the business of video streaming. See Note 18 for details of the discontinued operations.

Note 6 Equipment

	Information system	Office equipment	Machinery and equipment	Total
Cost				
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
Disposition	(89,798)	-	(80,700)	(170,498)
Balance December 31, 2015	$ -	$ 4,967	$ 2,615	$ 7,582
Depreciation and impairment loss				
Balance December 31, 2013	$ -	$ 184	$ 160	$ 344
Depreciation	-	797	15,315	16,112
Balance December 31, 2014	-	981	15,475	16,456
Depreciation (1)	12,561	736	27,080	40,377
Disposition	(12,561)	-	(41,396)	(53,957)
Balance December 31, 2015	$ -	$ 1,717	$ 1,159	$ 2,876
Carrying amounts				
Balance, December 31, 2014	$ 89,798	$ 3,986	$ 67,840	$ 161,624
Balance, December 31, 2015	$ -	$ 3,250	$ 1,456	$ 4,706

The net carrying amount of asset under capital lease as at December 31, 2015 is $Nil (2014 - $35,634).

(1) Depreciation related to the discontinued operations in 2015 was $39,162 (2014 - $14,795).

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Note 7 Intangible Assets

	Patents and Trademarks	Customer relationships	Total
Cost			
Balance December 31, 2013	$ -	$ -	$ -
Additions – Note 5	100,000	284,000	384,000
Balance December 31, 2014	100,000	284,000	384,000
Disposition	(100,000)	(284,000)	(384,000)
Balance December 31, 2015	$ -	$ -	$ -
Amortization and impairment loss			
Balance December 31, 2013	$ -	$ -	$ -
Amortization	10,000	94,700	104,700
Balance December 31, 2014	10,000	94,700	104,700
Amortization[1]	10,000	94,633	104,633
Disposition	(20,000)	(189,333)	(209,333)
Balance December 31, 2015	$ -	$ -	$ -
Carrying amounts			
Balance, December 31, 2014	$ 90,000	$ 189,300	$ 279,300
Balance, December 31, 2015	$ -	$ -	$ -

(1) Amortization related to the discontinued operations in 2015 was $104,633 (2014 - $104,700).

Note 8 Loans payable

The loans payable are non-interest bearing, unsecured and due on demand.

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 ended December 31, 2014, 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 $320,728 (CDN$351,290) to the carrying value of the loan, which will be accreted to $366,113 (CDN$401,000) over the term of the convertible debentures. During the year ended December 31, 2015, the Company recognized accretion and interest of $50,215 (CDN$62,214) (2014: $53,811 (CDN$59,440)). 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 issued 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 company to the presentation currency.

'Accumulated Deficit' is used to record the Company's change in deficit from profits 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.

Note 11 Share Capital – (cont'd)

b) Issued:

Shares issued during the year ended December 31, 2015

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$193,116 ($166,466) was received during the year ended December 31, 2014 and is recorded as subscriptions received in advance and CDN$50,000 ($36,765) was not collected. The 500,000 common shares related to this amount were later returned to treasury. 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 11, 2018. The Company uses the residual method and have allocated CDN$995,392 ($792,233) to the shares and CDN$175,658 ($139,806) to the warrants. Finders' fees of 126,000 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 CDN$12,600 ($10,028) and have allocated CDN$1,890 ($1,504) to the warrants attached to the unit.

During the year the Company issued 100,000 common shares upon the exercise of warrants at CDN$0.10 per share for gross proceeds of CDN$10,000 ($7,631).

During the year the Company issued 1,500,000 common shares upon the exercise of options at CDN$0.05 per share for gross proceeds of CDN$75,000 ($57,758). The share price of the Company's shares on the date of exercise was CDN$0.10.

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 CDN$528,000 ($478,315). 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.

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 CDN$1,420,000 ($1,323,298). 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.

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Note 11 Share Capital – (cont'd)

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 22,600,000 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.

A summary of the status of the stock option plan as of December 31, 2015 and 2014 and changes during the years then ended on those dates is presented below:

	2015		2014	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	9,325,000	CDN$0.11	5,077,500	CDN$0.14
Granted	11,250,000	CDN$0.09	4,925,000	CDN$0.10
Exercised	(1,500,000)	CDN$0.05	-	-
Expired/Forfeited/cancelled	(11,725,000)	CDN$0.10	(677,500)	CDN$0.19
Options outstanding at end of the year	7,350,000	CDN$0.10	9,325,000	CDN$0.11
Options exercisable at end of the year	4,200,000		6,525,000	

At December 31, 2015, the Company has 7,350,000 options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Outstanding	Exercisable	Exercise Price	Expiry Date
15,000	15,000	CDN $0.15	October 6, 2016
250,000	250,000	CDN $0.10	November 23, 2017
400,000	400,000	CDN $0.10	December 19, 2017
735,000	735,000	CDN $0.13	January 7, 2018
1,750,000	1,750,000	CDN $0.10	March 11, 2019
4,200,000	1,050,000	CDN $0.10	January 2, 2020
7,350,000	4,200,000		

Note 11 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-Based Compensation Plan – (cont'd)

As of December 31, 2015, the 7,350,000 (2014 - 9,325,000) options outstanding have a weighted average remaining contractual life of 3.43 (2014 - 3.38) years.

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.

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.

On May 1, 2015, the Company granted 4,650,000 share purchase options to directors, officers and consultants exercisable at CDN$0.10 per share expiring on May 1, 2020. These share purchase options vest at 25% on the date of grant and 25% per annum thereafter.

On August 20, 2015, the Company granted 1,400,000 share purchase options to consultants exercisable at CDN$0.05 per share expiring on August 20, 2020. These share purchase options vest immediately on the date of grant.

On September 9, 2015, the Company granted 800,000 share purchase options to consultants exercisable at CDN$0.05 per share expiring on September 9, 2020. These share purchase options vest immediately on the date of grant.

During the year ended December 31, 2015, the Company recorded stock-based compensation expense of $334,405 (2014: $122,470) for stock options vested and cancelled during the year. 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 weighted average assumptions used in calculating fair value were as follows: $0.08 (2014 - $0.10) share price on grant date, 0.81% (2014 –1.60%) risk free rate, 0% (2014 – 0%) dividend yield, 80% (2014 - 86%) expected annualized volatility, 5 years (2014 – 5 years) expected stock option life and 30% (2014 – 30%) forfeiture rate. Expected annualized volatility was estimated by reference to historical volatility of the Company with a comparable period in their lives.

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Note 11 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Share Purchase Warrants

A summary of the status of share purchase warrants as of December 31, 2015 and 2014 and changes during the years then ended on those dates is presented below:

	2015		2014	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Balance, beginning of the year	55,303,000	CDN$0.20	35,101,000	CDN$0.20
Issued	11,836,500	CDN$0.10	20,202,000	CDN$0.20
Exercised	(100,000)	CDN$0.10	-	-
Expired	(14,227,000)	CDN$0.20	-	-
Balance, end of the year	52,812,500	CDN$0.18	55,303,000	CDN$0.20

At December 31, 2015, the Company has 52,812,500 share purchase warrants outstanding as follows:

Outstanding	Exercise Price	Expiry Date
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
11,736,500	CDN $0.10	February 11, 2018
52,812,500		

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Note 12 Related Party Transactions

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

	2015	2014
Administrative expenses to other related parties		
Consulting fees incurred with a spouse and family members of a director	$ 44,770	$ 60,202
Office and miscellaneous – secretarial services incurred with an officer of the Company	4,145	6,586
Rent incurred with a company controlled by the CFO	21,114	23,683
Share-based payments incurred with family members of two directors of the Company	35,378	24,573
	105,407	115,044
Key management compensation		
Consulting fees	254,150	286,442
Management fees	65,688	135,795
Salaries, wages and benefits	95,428	85,578
Share-based payments	88,059	219
	503,325	508,034
	$ 608,732	$ 623,078

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

Included in prepaid expenses at December 31, 2015 is $Nil (2014: $1,940) of prepaid rent paid to 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:

	2015	2014
Net loss before income taxes	$ (1,695,360)	$ (2,516,956)
Statutory rates	26.00%	26.00%
Expected income tax recovery	(441,000)	(654,000)
Difference in tax rates in other jurisdictions	(39,000)	(73,000)
Change in statutory rates	-	(61,000)
Permanent differences	88,000	42,000
Change in foreign exchange rate	333,000	207,000
Unrecognized tax benefits	59,000	539,000
	$ -	$ -

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Note 13 Income Taxes – (cont'd)

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:

	2015	2014
Deferred income tax assets		
Non-capital and net operating losses	$ 6,684,000	$ 6,501,000
Capital losses	473,000	564,000
Capital assets and other	9,000	43,000
	7,166,000	7,108,000
Less: deferred income tax assets not recognized	(7,166,000)	(7,108,000)
Net deferred income tax assets	$ -	$ -

The Company has non-capital losses available to reduce taxable income in Canada and in USA and expire in stages through 2035 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	256,000	530,000
2027	308,000	595,000
2028	396,000	433,000
2029	589,000	587,000
2030	467,000	628,000
2031	161,000	668,000
2032	951,000	360,000
2033	1,266,000	353,000
2034	1,700,000	718,000
2035	1,167,000	530,000
	$ 7,261,000	$ 15,201,000

At December 31, 2015, the Company has accumulated capital losses of approximately CDN$5,034,000 (2014: CDN$5,034,000) in Canada that may be carried forward indefinitely to reduce future years' capital gains.

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Note 14 Segmented Information and Economic Dependence

As at December 31, 2015, the Company only has one reportable segment. During the year ended December 31, 2015, the Company sold the video streaming operations and has treated this as discontinued operations in the current and prior year financial results. See Note 18 for details.

During the year ended December 31, 2015, the Company was economically dependent on two (2014: three) customers who each accounted for more than 10% of revenue from continuing operations and in aggregate accounted for 81% (2014: 50%) of sales.

During the years ended December 31, 2015 and 2014, all of the revenue from continuing operations are generated from the sale of products.

The Company's revenues are allocated to geographic segments for the years ended December 31, 2015 and 2014 as follows:

	2015	2014
Canada	$ -	$ 683
United States of America	189,440	74,061
Other	13,472	14,230
	$ 202,912	$ 88,974

The Company's net income (loss) and total non-current assets are allocated to geographic segments for the years ended December 31, 2015 and 2014 as follows:

	2015	2014
Canada	$ (1,259,281)	$ (1,675,757)
United States of America	(170,435)	(291,776)
Net loss from continuing operations	$ (1,429,716)	$ (1,967,531)

	2015	2014
Canada	$ -	$ -
United States of America	4,706	440,924
Total non-current assets	$ 4,706	$ 440,924

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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).

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, loans payable, promissory note payable, and due to related parties 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:

	2015	2014
Current to 3 months	$ 80,398	$ 75,519
3 to 6 months	17,400	1,259
Over 6 months	-	71,401
Allowance provided	-	(79,873)
Trade receivables	97,798	68,306
Goods and services tax recoverable	10,474	9,904
	$ 108,272	$ 78,210

Note 15 Financial Instruments – (cont'd)

b) 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, 2015, the Company has a working capital deficiency of $763,286. 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:

2016	$	14,775
2017		7,389
Total minimum lease payments		22,164
Less amount representing imputed interest of 22%		1,272
Balance of obligation		20,892
Current portion		10,867
Long-term portion	$	10,025

c) 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.

d) 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, 2015, the Company has Canadian dollars cash of CDN$147, accounts receivable of CDN$14,496, accounts payable of CDN$241,724, convertible debentures payable of CDN$401,000, and due to related parties of CDN$474,472, translated at USD$1 for every CDN$1.384. These factors expose the Company to foreign currency exchange rate risk, which could have a material adverse effect on the ultimate profitability of the Company. A 10% change in the exchange rate would change other comprehensive income/loss by approximately $80,000. 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 its business 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 technology and telecommunications 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, 2015 and 2014.

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.

The Company is contingently liable for the remaining unpaid $50,000 from Niagara Video Corp. to Viewcast Inc. in connection to the Compromise and Settlement Agreement as disclosed in Note 18.

Note 18 Discontinued Operations

On December 31, 2015, the Company entered into an asset purchase agreement with Niagara Video Corp. ("Acquirer") whereby the Acquirer purchased all of the assets in connection with the Company's video streaming operations and assumed certain liabilities from the Company for total consideration of $95,000 in cash with $38,000 payable upon closing of the asset purchase agreement, $32,000 to be placed in trust to cover the assumed liabilities and $25,000 payable in monthly installments of $5,000 per month commencing on April 1, 2016.

The Company is entitled to a royalty of 1% of net sales from products sold by the Company to the Acquirer for a period of 2 years from closing up to a maximum of $500,000.

The Company will also receive 400,000 common shares of the Acquirer which equals to 20% of the initial equity.

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Note 18 Discontinued Operations – (cont'd)

In addition, the Company entered into a Compromise and Settlement Agreement with the Acquirer and Viewcast, Inc. ("Viewcast"), the seller of Videoware assets to the Company (see Note 5) whereby Viewcast agreed to release and discharge the Company from any and all claims, demands, actions or causes of action which Viewcast has or may have against the Company upon payment in full by the Acquirer as follows:

- $115,000 within 10 business days of closing of the asset purchase agreement (paid)
- $50,000 payable in monthly instalments of $5,000 starting April 1, 2016

In addition, Viewcast is entitled to a royalty of 3% of gross sales from products sold by the Acquirer for a period of 5 years beginning October 1, 2016 and will receive 200,000 shares of the Acquirer.

The net loss from discontinued operations for the years ended December 31, 2015 and 2014 are as follows:

For the years ended December 31,	2015	2014
Revenue	$ 709,619	$ 993,057
Cost of goods sold	(440,431)	(678,920)
Expenses	(788,438)	(863,562)
Operating loss from discontinued operations	(519,250)	(549,425)
Gain on sale of discontinued operations	253,604	-
Net loss from discontinued operations	$ (265,646)	$ (549,425)

The following table provides additional information with respect to the gain on sale of discontinued operations:

Consideration on disposal of discontinued operations	
Cash to the Company	$ 95,000
Cash to Viewcast	165,000
Shares of Niagara Video Corp.	-
Total consideration	260,000
Less net assets of discontinued operations	
Inventory	258,011
Property and equipment	116,542
Intangible assets	174,667
Contingent consideration	(294,468)
Net assets of discontinued operations	254,752
Gain on disposal of net assets to the Acquirer	5,248
Gain on debt settlement with Viewcast	248,356
Gain on sale of discontinued operations	$ 253,604

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Note 19 Supplemental Cash Flows Information

		2015		2014
Share issue costs paid by issuance of shares	$	10,028	$	65,991
Equipment acquired under lease obligation	$	-	$	35,634
Interest received (paid)	$	-	$	-
Income taxes received (paid)	$	-	$	-
Dividends received (paid)	$	-	$	-

Note 20 Subsequent Events

On February 12, 2016, the Company granted 500,000 share purchase options to consultants at an exercise price of CDN$0.05 per share expiring on February 12, 2019.

On April 6, 2016, the Company issued 250,000 common shares upon the exercise of share purchase options for gross proceeds of $12,500.

VALDOR TECHNOLOGY INTERNATIONAL INC. Schedule I

CONSOLIDATED SCHEDULES OF COST OF GOODS SOLD
For the years ended December 31, 2015 and 2014
(Stated in US Dollars)

	2015	2014
Depreciation	$ 479	$ 520
Freight	6,338	5,038
Inventories recognized as an expense	102,323	30,894
Salaries, wages and benefits	150	9,416
	$ 109,290	$ 45,868

VALDOR TECHNOLOGY INTERNATIONAL INC. Schedule II

CONSOLIDATED SCHEDULES OF ADMINISTRATIVE AND GENERAL EXPENSES
For the years ended December 31, 2015 and 2014
(Stated in US Dollars)

	2015	2014
Consulting fees – Note 12	$ 607,026	$ 1,036,197
Entertainment and travel	58,457	52,542
Insurance, licenses and permits	3,171	2,220
Investor relations	15,416	62,604
Legal and accounting fees	64,954	167,754
Management fees – Note 12	65,688	135,795
Office and miscellaneous – Note 12	30,679	14,308
Rent – Note 12	61,770	57,666
Repairs and maintenance	6,143	45,773
Salaries, wages and benefits – Note 12	133,882	99,092
Stock exchange filing fees	28,694	36,643
Telephone and utilities	13,928	19,310
Transfer agent fees	4,898	11,205
	$ 1,094,706	$ 1,741,109