

ICESoft Technologies Canada Corp.  
Consolidated Financial Statements  
*For the years ended December 31, 2017 and 2016*  
(\$CDN)

## **Independent Auditors' Report**

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To the Shareholders  
ICESoft Technologies Canada Corp.

We have audited the accompanying consolidated financial statements of ICESoft Technologies Canada Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years ended December 31, 2017 and December 31, 2016, 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.

### **Auditors' 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 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 auditors' 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 ICEsoft Technologies Canada Corp. and its subsidiaries as at December 31, 2017 and December 31, 2016, and their financial performance and their cash flows for the years ended December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

We draw attention to note 2(c) to the consolidated financial statements which describes conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

*Collins Barrow Calgary LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS


Calgary, Canada  
April 30, 2018

**ICESoft Technologies Canada Corp.**  
Consolidated Statements of Financial Position  
*(in CAD)*  
As at

	December 31, 2017 \$	December 31, 2016 \$
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	-	67,578
Accounts receivable (note 15(b))	158,986	142,566
Prepaid expenses and deposits	18,137	24,688
<b>TOTAL ASSETS</b>	<b>177,123</b>	<b>234,832</b>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Current Liabilities		
Bank indebtedness	2,835	-
Accounts payable and accrued liabilities (notes 5, 15)	1,252,525	1,110,876
Deferred revenue	799,229	1,219,345
Term loans (note 6)	227,004	567,354
<b>Total Current Liabilities</b>	<b>2,281,593</b>	<b>2,897,575</b>
Convertible notes (note 7)	549,564	-
<b>Total Liabilities</b>	<b>2,831,157</b>	<b>2,897,575</b>
Shareholders' Deficiency		
Share capital (Note 9)	24,018,708	24,012,256
Equity portion of convertible notes (note 7)	29,415	-
Warrants (note 6, 7, 10 & 11)	52,980	424,021
Contributed surplus (note 10)	3,177,105	2,745,425
Accumulated other comprehensive loss	(1,697,693)	(1,766,153)
Deficit	(28,234,549)	(28,078,292)
<b>Total Shareholders' Deficiency</b>	<b>(2,654,034)</b>	<b>(2,662,743)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>177,123</b>	<b>234,832</b>

Going concern (note 2(c))  
Commitments and contingencies (note 13)  
Segmented Information (note 16)  
Subsequent event (note 17)

Approved by the Board of Directors

  
\_\_\_\_\_, Director  
BRIAN McKinney

The accompanying notes are an integral part of the consolidated financial statements.

**ICESoft Technologies Canada Corp.**  
Consolidated Statements of Loss and Comprehensive Loss  
(\$CDN)  
For the years ended

	December 31, 2017 \$	December 31, 2016 \$
<b>Revenues</b>		
Subscription income	1,628,557	1,751,708
Consulting services	64,703	77,556
License fees	60,715	92,759
<b>Total Revenue</b>	<b>1,753,975</b>	<b>1,922,023</b>
<b>Expenses</b>		
Research & Development (notes 12 & 16)	1,245,863	1,402,248
General & Administrative (notes 12 & 16)	544,801	671,394
Sales, Marketing, & Operations (note 12 & 16)	179,629	434,120
<b>Total Expenses</b>	<b>1,970,293</b>	<b>2,507,762</b>
<b>Net Operating Loss</b>	<b>(216,318)</b>	<b>(585,739)</b>
<b>Other Income (Expense)</b>		
Other income	4,781	6,635
Finance expense	(70,177)	(45,856)
Foreign exchange	246	(8,054)
Stock based compensation (notes 10 and 11)	(22,582)	(60,924)
Gain on debt forgiveness (note 6)	147,793	-
Gain on conversion of convertible notes (note 7)	-	259,037
Accretion of convertible notes (note 7)	-	(38,668)
Gain on fair value of derivative liability	-	20,568
<b>Total Other Income</b>	<b>60,061</b>	<b>132,738</b>
<b>Net Loss</b>	<b>(156,257)</b>	<b>(453,001)</b>
<b>Other Comprehensive Loss</b>		
Exchange gain (loss) on translation of foreign operations	68,460	(77,641)
<b>Comprehensive loss</b>	<b>(87,797)</b>	<b>(530,642)</b>
<b>Loss per share - basic and diluted (note 9)</b>	<b>(0.00)</b>	<b>(0.01)</b>

The accompanying notes are an integral part of the consolidated financial statements.

**ICEsoft Technologies Canada Corp.**  
Consolidated Statements of Changes in Shareholders' Deficiency  
(\$ CDN)

	Share Capital	Equity component of convertible rates	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2015	22,420,905	-	54,473	2,684,501	(27,625,291)	(1,688,512)	(4,153,924)
Conversion of CDN Note to Shares (notes 7 & 9)	50,000						50,000
Conversion of US Note to Shares (notes 7 & 9)	52,130						52,130
Conversion of Convertible US Note to Shares (notes 7 & 9)	821,321						821,321
Issuance of Shares (note 9)	1,037,448						1,037,448
Financing Warrants Issued (notes 6, 9, 10 & 11)	(369,548)		369,548				-
Stock Based Compensation (notes 10 & 11)				60,924	(453,001)	(77,641)	60,924
Net Loss and Comprehensive Loss							(530,642)
<b>Balance December 31, 2016</b>	<b>24,012,256</b>	<b>-</b>	<b>424,021</b>	<b>2,745,425</b>	<b>(28,078,292)</b>	<b>(1,766,153)</b>	<b>(2,662,743)</b>
Issuance of Units (note 9)	6,452		3,548				10,000
Warrants expired in the year			(409,098)	409,098			-
Convertible debentures issued (note 7)		29,415					29,415
Financing Warrants Issued (notes 7, 9, 10 & 11)			34,509				34,509
Stock based compensation (notes 10 & 11)				22,582			22,582
Net Loss and Comprehensive Loss					(156,257)	68,460	(87,797)
<b>Balance December 31, 2017</b>	<b>24,018,708</b>	<b>29,415</b>	<b>52,980</b>	<b>3,177,105</b>	<b>(28,234,549)</b>	<b>(1,697,693)</b>	<b>(2,654,034)</b>

The accompanying notes are an integral part of the consolidated financial statements.

**ICEsoft Technologies Canada Corp.**  
**Consolidated Statements of Cash Flows**  
(\$CDN)  
For the years ended

	December 31, 2017 \$	December 31, 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(156,257)	\$ (453,001)
Add back (deduct) items not involving cash:		
Accretion of convertible notes (note 7)	-	38,668
Gain on conversion of convertible notes (note 7)	-	(259,037)
Gain on fair value of derivative liability (note 7)	-	(20,568)
Gain on debt forgiveness (note 6)	(147,793)	-
Stock-based compensation (note 10)	22,582	60,924
Unrealized foreign exchange	30,931	(29,625)
	(250,537)	(662,639)
Changes in non-cash working capital items:		
Accounts receivable	(16,420)	46,877
Prepaid expenses and deposits	6,551	(20,337)
Accounts payable and accrued liabilities	141,649	45,360
Deferred revenue	(420,116)	(120,817)
<b>Net cash used in operating activities</b>	<b>(538,873)</b>	<b>(711,556)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units (notes 9 & 11)	10,000	812,448
Repayment of notes payable	-	(328,779)
Proceeds from issuance of term loans	60,000	333,969
Proceeds from issuance of convertible notes	330,000	-
<b>Net cash generated by financing activities</b>	<b>400,000</b>	<b>817,638</b>
Effect of change in foreign exchange rates on cash	68,460	(77,641)
Net increase (decrease) in cash and cash equivalents for the year	(70,413)	28,441
Cash and cash equivalents, beginning of the year	67,578	39,137
<b>Cash and cash equivalents (Bank indebtedness), end of the year</b>	<b>(2,835)</b>	<b>67,578</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Non-cash transactions**

During the year ended December 31, 2017, term loans of \$260,170 were exchanged for convertible notes (Note 7). During the year ended December 31, 2016, \$50,000 of a revolving credit facility (note 6(iii)), \$52,130 of notes payable (note 6(iv)) and \$200,000 of accounts payable (note 9(iv)) were exchanged for common shares.

## 1. NATURE OF OPERATIONS

ICESoft Technologies Canada Corp. (the "Corporation" or "ICESoft"), was incorporated on May 10, 2002 under the Canada Business Corporations Act.

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

The consolidated financial statements of the Corporation as at and for the years ended December 31, 2017 and 2016 consist of the Corporation and its wholly owned subsidiaries. ICESoft wholly owns ICESoft Technologies Holdings Ltd, which acts as the Corporation's main Canadian operating entity; and wholly owns ICESoft Technologies Inc, incorporated in the State of Delaware, which acts as the United States operating entity.

## 2. BASIS OF PRESENTATION

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 30, 2018.

### (b) Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, except as noted in Notes 3(e) and (i).



**2. BASIS OF PRESENTATION** *(continued)*

(c) Going concern

These consolidated financial statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern. As at December 31, 2017 the Corporation has bank indebtedness of \$2,835 (December 31, 2016 - cash and cash equivalents of \$67,578). Additionally, as at December 31, 2017 the Corporation has negative net working capital position of \$2,104,470 (December 31, 2016 - \$2,662,743). The Corporation also has an accumulated deficit of \$28,234,549 (December 31, 2016 - \$28,078,292) as at December 31, 2017. The Corporation has not yet been able to generate the transaction volumes required to create positive cash flows from operations. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2017 is uncertain. Until this time, management may have to raise funds by way of debt or equity issuances. The Corporation will closely monitor its cash and will take the necessary measures to preserve cash, such as reducing spending as needed until the Corporation succeeds in gathering sufficient sales volumes to consistently achieve profitable operations and generate positive cash flows from operations.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD") which is the functional currency of the Corporation and ICESoft Technologies Holdings Ltd. The functional currency of ICESoft Technologies Inc. is U.S. dollars ("USD").

(e) Basis of consolidation

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### (a) Revenue Recognition

The Corporation generates revenue through the provision of professional services and support agreements. In all cases, revenues generated in the normal course of business are measured at the fair value of the consideration received or receivable. Revenues are recognized only when there is persuasive evidence that an arrangement exists, delivery has occurred or the service has been rendered, the price is fixed or determinable, and collection of the related receivable is reasonably assured. Revenues arising from an agreement to render services are recognized based on the stage of completion of the contract. Rebates and similar deductions are deducted from revenues.

In addition to these general revenue recognition policies, the following specific revenue-recognition policies are applied to the Corporation's main sources of revenue:

- (i) Subscription income and license fees are deferred when received and recognized evenly over the term of the agreement.
- (ii) Consulting services and royalty fees are recognized when the service occurs or the royalty is earned.

#### (b) Research and development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life. The Corporation did not have any development costs that met the capitalization criteria for the years ended December 31, 2017 or 2016.

#### (c) Leases

Leases are classified as either finance or operating leases. Leases that effectively transfer substantially all the risks and rewards of ownership to the Corporation are finance leases and are accounted for as an acquisition of an asset and an assumption of an obligation at the inception of the lease, measured at the lower of the fair value or the present value of the minimum lease payments. Obligations recorded under finance leases are reduced by the lease payments, net of imputed interest. All other leases are accounted for as operating leases and rental payments are recorded as expenses on a straight-line basis over the term of the related lease.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(d) Foreign currency translation

Foreign currency transactions are initially recorded in the individual company's functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the year end exchange rate. All foreign currency adjustments are recognized in profit or loss.

Financial statements of subsidiaries for which the functional currency is not the presentation currency are translated into Canadian dollars. All asset and liability accounts are translated at the year end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive.

(e) Financial instruments

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally on the date of purchase.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment annually and written down when there is evidence of impairment based on certain specific criteria as detailed further on.

Financial assets and financial liabilities classified as "fair value through profit or loss" are either classified as "held for trading" or "designated at fair value through profit or loss" and are measured at fair value, with changes in fair value recognized in the statement of loss and comprehensive loss. Transaction costs are expensed when incurred. The Corporation has designated cash as "held for trading".

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets when they will be realized within 12 months of the reporting date, otherwise they are classified as non-current. The Corporation includes accounts receivable and deposits in this category.

The financial instruments included in this category are initially recognized at fair value plus transaction costs and subsequent measurement is at amortized cost.

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(ii) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Investments in equity instruments classified as available-for-sale are measured at cost when there is no quoted price in an active market and fair value cannot be reliably measured. The Corporation had no financial instruments in this category as at December 31, 2017 or 2016.

(iii) Other financial liabilities

The financial instruments included in this category are initially recognized at fair value less transaction costs and subsequent measurement is at amortized cost. They are classified as current liabilities when they are payable within twelve months of the reporting date, otherwise they are classified as non-current. The Corporation includes bank indebtedness, accounts payable and accrued liabilities, term loans and convertible notes in this category.

The Corporation derecognizes these liabilities when its obligation is discharged or replaced by a new liability with substantially modified terms.

(iv) Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Share capital and warrants are classified as equity. Incremental costs directly attributable to the issue of share capital and warrants are recognized as a deduction from equity.

(f) Stock-based compensation

The Corporation uses the fair value method for valuing stock-based compensation. Under this method, the cost attributed to stock options and warrants granted is measured at the fair value at the grant date; compensation cost for options is expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the settlement of the stock options and warrants the previously recognized value is recorded as an increase to share capital.

The Corporation measures stock-based payments to non-employees at the date of receipt of the goods or services. If the fair value cannot be measured reliably, the value of the options or warrants granted will be used.

(g) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognized in profit or loss as a finance cost as it occurs.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(h) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flow of that asset that can be estimated reliability.

In assessing impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance against receivables.

(i) Taxation and tax credits

The income tax provision includes current and deferred tax. This expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income or equity. In these specific cases, the income tax expense is recognized in other comprehensive income or equity, respectively.

Deferred taxes are accounted for using the liability method. Under this approach, deferred tax assets and liabilities are determined based on the differences between the carrying amounts and the tax bases of assets and liabilities and are measured using the enacted or substantively enacted tax rates and laws. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized to the extent that it is probable there will be sufficient taxable profits against which to utilize the benefits in the future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax receivables and payables are obligations or claims for the current and prior periods to be paid to (or recovered from) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed based on tax profit which differs from net profit. This calculation was made using tax rates and laws which are enacted or substantively enacted at the end of the reporting period.

Tax credits, including research and development tax credits, are not recognized until there is reasonable assurance that the Corporation will meet the eligibility criteria of the credits and that they will be received. Tax credits are recognized as a deduction to the related expenses.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(j) Compound financial instruments

The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the issuance date, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability based on amortized cost until the instrument is converted or matures. The equity component is determined by deducting the liability component from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement.

Convertible debentures and warrants with an exercise or conversion price denominated in a foreign currency are recorded as a derivative liability and classified as fair value through profit and loss. The derivative liability is measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the statement of loss and comprehensive loss. These derivatives have not been listed on an exchange and therefore do not trade on an active market.

(k) Fair value measurement

A number of the Corporation's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Corporation classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The fair value of cash is based on Level 1 inputs. The fair value of the convertible debentures are based on Level 3 inputs.

(l) Per share amounts

Basic per share amounts are calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year. Diluted per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments. The Corporation computes the dilutive impact of common shares assuming the proceeds received from the pro forma exercise of in-the-money share options and warrants are used to purchase common shares at average market prices.

**(m) SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets, liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its consolidated financial statements.

(a) Areas of judgment

(i) Going concern

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability raise additional financing and to achieve profitable operations. Certain judgments are made when determining if the Corporation will be able to continue as a going concern. Further disclosure is included in note 2(c).

(b) Assumptions and critical estimates

(i) Compound financial instruments

Certain financial instruments are comprised of a liability and an equity component. The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible debentures.

(ii) Derivative liability

The initial derivative liability and subsequent revaluations of the derivative liability are valued by reference to the fair value of the warrants and conversion features of the debentures at the date at which they are granted and subsequently revalued at each reporting date. Estimating fair value of these derivatives 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 average expected life of the warrants, estimated volatility of the Corporation's shares, risk-free interest rates and dividend yield.

(iii) Stock-based compensation

The amounts recognized relating to the fair value of stock options and warrants are based on estimates of future volatility in the Corporation's share prices, the expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of public companies over the preceding period equaling the expected lives of the Corporation's options.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS** *(continued)*

(c) Assumptions and critical estimates

(iv) Tax assets and liabilities

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

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

**CHANGES IN ACCOUNTING STANDARDS**

The following pronouncements will become effective for fiscal periods subsequent to December 31, 2017:

IFRS 15 – “*Revenue from Contracts with Customers*” provides a comprehensive new standard on revenue recognition. It specifies how and when to recognize revenue as well as requiring entities to provide more informative and relevant disclosure. The new standard is effective for years beginning on or after January 1, 2018. IFRS 15 is being assessed to determine its impact on the Corporation's results and financial position.

IFRS 9 – “*Financial Instruments*”, addresses the classification and measurement of financial assets. IFRS 9 replaces the guidance on “classification and measurement” of financial instruments in IAS 39 - “*Financial Instruments – Recognition and Measurement*”. The new standard requires a consistent approach to the classification of financial assets and replaces the numerous categories of financial assets in IAS 39 with two categories, measured at either amortized cost or at fair value. For financial liabilities, the standard retains most of the IAS 39 requirements, but where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of operations and comprehensive loss, unless this creates an accounting mismatch. It also includes a new general hedge accounting model. IFRS 9 is effective for fiscal periods beginning on or after January 1, 2018. IFRS 9 is being assessed to determine its impact on the Corporation's results and financial position.

IFRS 16 – “*Leases*”, eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are “capitalized” by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligation to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. IFRS 16 is being assessed to determine its impact on the Corporation's results and financial position.



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**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31 2017 \$	December 31, 2016 \$
Trade payables	615,550	649,831
Payroll liabilities	636,975	461,045
	<b>1,252,525</b>	<b>1,110,876</b>

Trade accounts payable are non-interest bearing and are normally due on 30 to 60 day terms. As at December 31, 2017, the Corporation has \$444,295 (2016 - \$521,136) in trade accounts payable beyond 60 days.

**6. TERM LOANS**

A summary of the term loans outstanding is as follows:

	December 31, 2017 \$	December 31, 2016 \$
Government royalty financing payable, unsecured, required repayments equal to 1.59% of revenue. (i)	53,661	201,454
Notes payable to officers, directors and shareholders, bearing interest at 12%, secured against assets of ICESoft, repayable December 31, 2017. Exchanged for convertible notes during the year ended December 31, 2017 (ii)	-	260,170
Notes payable to officers, directors and shareholders, bearing interest at 6%, unsecured with no fixed terms of repayment	173,343	105,730
<b>Total debt outstanding</b>	<b>227,004</b>	<b>567,354</b>
Less current portion	(227,004)	(567,354)
Long term portion	-	-

- (i) During the year ended December 31, 2017, \$147,793 of the financing was forgiven, resulting in a gain on the consolidated statement of loss.
- (ii) During the year ended December 31, 2017, the Corporation amended three existing notes payables to include conversion features and detachable warrants (note 7)

**6. TERM LOANS** *(continued)*

(iii) During the year ended December 31, 2016, the Corporation repaid a \$410,000 revolving credit facility and the remaining \$50,000 was converted into 250,000 units consisting of one common share and one half of a common share purchase warrant. The warrants had an exercise price of \$0.24 per share until June 1, 2016 and \$0.30 per share thereafter, and expire on December 31, 2017. The warrants have been valued at \$10,444 based on the Black Scholes Option Pricing Model with the following assumptions:

Stock price	\$0.20
Exercise price	\$0.30
Risk-free rate	1.50%
Expected volatility	100%
Expected term	1.91 years
Expected dividends	Nil

(iv) During the year ended December 31, 2016, notes payable plus accrued interest of \$52,130 were converted into 260,650 common shares.

**7. CONVERTIBLE NOTES**

During the year ended December 31, 2017, the Corporation issued four new convertible notes totalling \$330,000 and amended three existing notes payable to agreements valued at \$260,170 to include conversion features. The notes bear interest at 12% annual interest with a maturity dates of November 21, 2020, December 11, 2020 and December 31, 2019. The notes are convertible to common shares at a conversion price of \$0.15 per share. In addition, for each dollar of principal the purchaser received one warrant that can be converted to ten common shares of the Corporation at a purchase price of \$0.20 per share. The warrants expire November 21, 2021, December 12, 2021 and December 31, 2021. No notes or warrants were converted during the year ended December 31, 2017.

In accordance with IAS 32, the Company has determined the fair value of the liability and residual equity component of the conversion feature by discounting the expected future cash flows of the liability component using an effective interest rate of 18%.

As the warrants are detachable and have a fixed exercise price they have been accounted for as equity. The fair value of the warrants were determined using the Black Scholes Option Pricing Model on the grant date. On December 31, 2017 the warrants had a value of \$34,509 using the following assumptions:

	<b>Warrants</b>
Stock price	\$0.06
Exercise price	\$0.20
Risk-free rate	1.7%
Expected volatility	100%
Expected term	4 years
Expected dividends	Nil

**7. CONVERTIBLE NOTES** *(continued)*

At December 31, 2017, the fair value of the debt consisted of the following:

Face value of debt plus accrued interest	\$ 613,488
Less: Fair value of conversion feature	(29,415)
Less: Fair value of warrants at inception	(34,509)
<b>Carrying value of debt</b>	<b>\$ 549,564</b>

On January 28, 2016, the Corporation settled derivative liabilities through the issuance of 5,775,527 common shares valued at \$821,321 (CAD) upon conversion of the convertible notes outstanding. This transaction is summarized as follows:

	January 28, 2016 (CAD)
Issuance of 5,775,527 common shares	\$ 821,321
Settlement of convertible notes	(1,045,873)
Settlement of other notes payable	(30,783)
Settlement of accrued interest	(22,595)
Foreign exchange loss	18,893
<b>Gain on conversion of convertible notes</b>	<b>\$ (259,037)</b>

**8. INCOME TAXES**

The income tax provision differs from the amount that would be computed by applying the statutory income tax rates to profit or loss before income taxes.

The reconciliation of the differences is as follows:

	December 31, 2017 \$	December 31, 2016 \$
<b>Loss before income taxes</b>	<b>(156,257)</b>	<b>(453,001)</b>
<b>Weighted average statutory income tax rate</b>	<b>31.27%</b>	<b>31.27%</b>
Expected income tax recovery	(48,862)	(141,653)
Change in valuation allowance	33,963	(660,954)
Stock-based compensation	7,061	19,051
Other	7,838	783,556
<b>Income tax recovery</b>	<b>-</b>	<b>-</b>

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The net deferred tax asset is comprised of the following temporary differences:

	December 31, 2017 \$	December 31, 2016 \$
Non-capital losses	5,767,060	(5,727,814)
Property and equipment	(2,197)	(3,086)
Valuation allowance	5,764,863	5,730,900
<b>Deferred tax asset</b>	-	-

As at December 31, 2017, the Corporation has Canadian non-capital loss carry forwards of approximately \$6,205,278 (2016 - \$5,875,653) and US non-capital loss carry forwards of approximately US \$1,646,491 (2016 - US \$1,803,371). The non-capital loss carry forwards expire at various dates from 2017 to 2037. The Corporation also has tax deductible balances of \$8,138 (2016 - \$11,430), relating to property and equipment, which have not been recognized on the consolidated statement of financial position.

## 9. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Preferred Shares without nominal or par value and an unlimited number of Common Shares without nominal or par value.

The Corporation has the following Common Shares issued and outstanding:

	Number of Shares #	Share Capital \$
<b>Balance, December 31, 2015</b>	<b>31,467,722</b>	<b>22,420,905</b>
Conversion of CDN Note to Equity (note 6(iii))	250,000	39,556
Conversion of US Note to Equity (note 6(iv))	260,650	52,130
Conversion of Convertible US Note to Equity (note 7)	5,775,527	821,321
Feb 8, 2016 Private Placement (i)	1,462,240	231,360
March 9, 2016 Private Placement (ii)	350,000	55,842
June 30, 2016 Private Placement (iii)	2,379,685	270,244
September 30, 2016 Private Placement (iv)	1,000,000	120,898
<b>Balance, December 31, 2016</b>	<b>42,945,824</b>	<b>24,012,256</b>
Issuance of shares for cash (v)	100,000	6,452
<b>Balance, December 31, 2017</b>	<b>43,045,824</b>	<b>24,018,708</b>

- (i) On February 8, 2016, the Corporation issued 1,462,240 units to officers and directors at a price of \$0.20 per unit for gross proceeds of \$292,448. Each unit consisted of one common share and one half of a common share purchase warrant. The warrants had an exercise price of \$0.24 per share until June 1, 2016 and \$0.30 thereafter. The warrants were valued at \$61,088 based on the Black Scholes Option Pricing Model. The warrants expired December 31, 2017.
- (ii) On March 9, 2016, the Corporation issued 350,000 units of which 5,000 units were issued to a director, at a price of \$0.20 per unit for gross proceeds of \$70,000. Each unit consisted of one common share and one half of a common share purchase warrant. The warrants had an exercise price of \$0.24 per share until June 1, 2016 and \$0.30 thereafter. The warrants were valued at \$14,158 based on the Black Scholes Option Pricing Model. The warrants expired December 31, 2017.

**9. SHARE CAPITAL** *(continued)*

- (iii) On June 30, 2016, the Corporation issued 2,379,685 units of which 1,729,685 were issued to directors, at a price of \$0.20 per unit for gross proceeds of \$475,000. Each unit consisted of one common share and one common share purchase warrant. The warrants had an exercise price of \$0.24 per share until December 31, 2016 and \$0.30 thereafter and expire on July 1, 2018. The warrants have been valued at \$204,756 based on the Black Scholes Option Pricing Model.
- (iv) On September 30, 2016, the Corporation issued 875,000 units for cash and 125,000 units to satisfy an account payable to a director at a price of \$0.20 per unit for gross proceeds of \$200,000. Each unit consisted of one common share and one common share purchase warrant. The warrants had an exercise price of \$0.24 per share until December 31, 2016 and \$0.30 thereafter and expire on July 1, 2018. The warrants have been valued at \$79,102 based on the Black Scholes Option Pricing Model.
- (v) On November 22, 2017, the Corporation issued 100,000 units at a price of \$0.10 per unit for gross proceeds of \$10,000. Each unit consisted of one common share and two common share purchase warrants. The warrants had an exercise price of \$0.20 per common share and expire on November 21, 2021. The warrants have been valued at \$3,548 based on the Black Scholes Option Pricing Model.
- (vi) The weighted average number of common shares outstanding used to calculate basic and diluted loss per share is 42,957,057 for the year ended December 31, 2017 (2016 – 40,145,926). The Corporation excluded all convertible notes, stock options from the calculation of diluted income per share for the years ended December 31, 2017 and December 31, 2016, as they would be anti-dilutive.

**10. CONTRIBUTED SURPLUS & WARRANTS**

Contributed surplus is used to recognize the fair value of stock options granted. When options are subsequently exercised, the fair value of such options in contributed surplus is credited to share capital. Refer to note 11 for further details on the stock option plan.

	\$
Balance, December 31, 2015	2,684,501
Stock-based compensation expense	60,924
<b>Balance, December 31, 2016</b>	<b>2,745,425</b>
Stock-based compensation expense	22,582
Warrants expired	409,098
<b>Balance, December 31, 2017</b>	<b>3,177,105</b>

Warrants are used to recognize the fair value of warrants grants to support financings. When warrants are subsequently exercised, the fair value of such warrants is credited to the share capital account. Refer to note 11 for further details on warrant transactions.

	\$
Balance, December 31, 2015	54,473
Warrants granted	369,548
<b>Balance, December 31, 2016</b>	<b>424,021</b>
Warrants granted	38,057
Warrants expired	(409,098)
<b>Balance, December 31, 2017</b>	<b>52,980</b>

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**11. STOCK-BASED COMPENSATION & WARRANT TRANSACTIONS**

- (a) The Corporation has a stock option plan ("the Plan") under which the Board of Directors of the Corporation may grant to directors, officers, employees and other providing services to the Corporation, non-transferable options to purchase common shares, exercisable for a period of five to seven years from the date of grant.

A summary of the Plan transactions for the year ended December 31, 2017 and December 31, 2016 are as follows:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding at beginning of year	4,900,000	0.14	4,570,000	0.13
Options granted	-	-	600,000	0.25
Options cancelled / forfeited	(120,000)	0.13	(270,000)	0.13
<b>Outstanding at end of year</b>	<b>4,780,000</b>	<b>0.14</b>	<b>4,900,000</b>	<b>0.14</b>

During the year ended December 31, 2016, the Corporation issued 600,000 options to its directors which vest over 5 years.

The weighted average remaining life of all options outstanding at December 31, 2017 is 2.31 years (2016 – 3.31 years).

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the year ended December 31, 2016
Fair Value of options	\$0.14
Exercise Price	0.25
Share Price	0.20
Dividend Yield	-
Forfeiture %	-
Risk-free interest rate	1.5%
Expected life of options	3.5 years
Expected volatility	100%

The Corporation's shares were not traded publicly during the year ended December 31, 2017 or 2016 and, as a result, the Corporation does not have necessary trading history to compute its expected volatility using historical volatility; therefore, the Corporation has used the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model.

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**11. STOCK-BASED COMPENSATION & WARRANT TRANSACTIONS (continued)**

The Corporation recorded stock-based compensation expense for options of \$22,582 (December 31, 2016 - \$60,924) with an offsetting increase to contributed surplus in respect of the stock options granted to Directors.

No options were exercised during the years ended December 31, 2017 or December 31, 2016.

(b) A summary of warrant transactions for the year ended December 31, 2017 is as follows:

	Number of Warrants	Weighted average exercise price	Expiry Date
<b>Outstanding at December 31, 2015</b>	708,750	0.20	
<b>Issued February 8, 2016</b>	856,120	0.30	Dec 31, 2017
<b>Issued March 9, 2016</b>	175,000	0.30	Dec 31, 2017
<b>Issued June 30, 2016</b>	2,379,685	0.30	July 1, 2018
<b>Issued September 30, 2016</b>	1,000,000	0.30	July 1, 2018
<b>Exercised during the period</b>	-		
<b>Outstanding at December 31, 2016</b>	5,119,555	0.29	
<b>Issued November 22, 2017</b>	200,000	0.20	Nov 21, 2021
<b>Issued November 22, 2017 with convertible debt</b>	250,000	0.20	Nov 21, 2021
<b>Issued December 12, 2017 with convertible debt</b>	1,000,000	0.20	Dec 12, 2021
<b>Issued December 31, 2017 with convertible debt</b>	4,651,150	0.20	Dec 31, 2021
<b>Cancelled/forfeited</b>	(1,439,870)	0.30	
<b>Outstanding at December 31, 2017</b>	9,780,835	0.21	

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**11. STOCK-BASED COMPENSATION & WARRANT TRANSACTIONS (continued)**

	Number of Warrants	Weighted average remaining contractual life (Yrs)	Weighted average exercise price \$
<b>Outstanding at December 31, 2017</b>	9,580,835	2.37	0.21

The fair value of the warrants estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Fair Value of warrants</b>	\$0.16	\$0.08
<b>Exercise Price</b>	\$0.21	\$0.30
<b>Share Price</b>	\$0.06	\$0.20
<b>Dividend Yield</b>	-	-
<b>Forfeiture %</b>	-	-
<b>Risk-free interest rate</b>	1.7%	1.5%
<b>Expected life of warrants</b>	2.37 years	1.9 years
<b>Expected volatility</b>	100%	100%

No warrants were exercised during the year ended December 31, 2017.

**12. RELATED PARTY TRANSACTIONS**

The Corporation considers its key management personnel to be its Chief Executive Officer; Chief Financial Officer; and directors. Key management compensation is composed of payroll, stock based compensation and consulting fees paid to key management and companies controlled by key management. During the year ended December 31, 2017, key management compensation amounted to \$196,976 (2016 - \$312,638), split between general and administrative, marketing and customer operations, research and development expenses and stock-based compensation based on work performed.

The Corporation incurred interest expense of \$36,328 (2016 - \$18,496) on term loans and convertible notes held by key management personnel during the year ended December 31, 2017. Key management personnel have accounts payable owing from the Corporation, including interest, payroll and vacation accruals, in the amount of \$476,632 at December 31, 2017 (2016 - \$394,722) and hold long-term debt and convertible notes payable from the Corporation totaling \$661,443 at December 31, 2017 (2016 - \$365,970). These notes were issued in the normal course of business.

Total personnel expenses for employees, consultants, directors and management included in expenses in the consolidated statement of loss and comprehensive loss total \$1,567,531 (2016 - \$1,903,472) for the year ended December 31, 2017, split between general and administrative, sales, marketing and operations, and research and development expenses, based on work performed.



### 13. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Corporation is committed under a lease on office space, expiring October 2021 for future minimum rental payments exclusive of occupancy costs. These payments are as follows:

	\$
2018	34,163
2019	37,876
2020	38,618
2021	35,277

### 14 CAPITAL MANAGEMENT

The Corporation optimizes its capital structure with a view to ensure a strong financial position to support its operations and growth strategies. The Corporation's capital structure is made up of its equity, which includes share capital, contributed surplus, warrants, accumulated other comprehensive loss, and deficit. The Corporation strives to maximize the value associated with its capital. To maintain or adjust its capital structure, the Corporation may from time to time issue shares and adjust its spending.

The corporation's capital consists of:

	December 31, 2017 \$	December 31, 2016 \$
Common shares	24,018,708	24,012,256
Equity portion of convertible notes	29,415	-
Contributed surplus	3,177,105	2,745,425
Warrants	52,980	424,021
Accumulated other comprehensive income	(1,697,693)	(1,766,153)
Deficit	(28,234,549)	(28,078,292)
<b>Total shareholders' deficiency</b>	<b>(2,654,034)</b>	<b>(2,662,743)</b>

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remained unchanged during the years presented.

### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's risk management policies are established to identify, analyze and manage the risks faced by the Corporation and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Corporation's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Corporation's use of financial instruments include credit risk, liquidity risk, market risk and currency risk. These risks, and the actions taken to manage them, include:

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

(a) Fair value

Due to the short-term nature of cash, accounts receivable, deposits, bank indebtedness and accounts payable and accrued liabilities, the Corporation determined that the carrying amounts of these financial instruments approximate their fair value. The carrying amounts of the term loans and long-term debt approximate their fair value due either to the interest rate approximating market rates or because of the short period maturity.

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions, accounts receivable and deposits. The maximum exposure to credit risk is equal to the carrying value of the Corporation's cash and cash equivalents, accounts receivable and deposits.

The Corporation minimizes credit risk associated with its cash balance substantially by dealing with major financial institutions in Canada and the United States.

The Corporation is exposed to normal credit risk from customers. Accounts receivable are generally unsecured, subject to the Corporation's ability to file security interest under certain conditions. Accounts receivable are normally collected 30 days after invoicing. Default rates on unsecured credit have traditionally been below 1% of annual revenue. Licenses for proprietary software cease to function if payments are not kept current. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries. Additional sales and services may be withheld if a customer fails to pay its obligations in a timely manner. The Corporation considers accounts over 30 days old overdue. As at December 31, 2017, accounts receivable over 30 days old were \$27,682 (2016 - \$16,589). The Corporation did not record any bad debts during the year ended December 31, 2017 or 2016.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they come due. As at December 31, 2017 the Corporation has bank indebtedness of \$2,835 (2016 - cash and cash equivalents of \$67,578). Additionally, as at December 31, 2017 the Corporation has negative net working capital position of \$2,104,470 (2016 - \$2,662,743). The Corporation also has an accumulated deficit of \$28,234,549 (2016 - \$28,078,292) as at December 31, 2017. The Corporation will closely monitor its cash and will take the necessary measures to manage its liquidity risk, such as reducing spending as needed.

(d) Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies, other than the functional currency of the Corporation, will fluctuate due to changes in foreign currency exchange rates. As at December 31, 2017, the Corporation's exposure to currency risk is limited to bank indebtedness denominated in US dollars in the amount of US \$592 (2016 - cash and cash equivalents of US \$397), accounts receivable of US \$118,000 (2016 - US \$98,205), notes payable of US \$NIL (2016 - US \$120,000), accounts payable and accrued liabilities denominated in US dollars in the amount of US \$319,002 (2016 - US \$266,526). A 1% change in the exchange rate between the Canadian and US dollar would have a \$2,004 (2016 - \$2,879) impact on the net loss and cash flows of the Corporation.

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

(e) Interest rate risk

Interest rate risk is the risk that the fair value and cash flows associated with the Corporation's interest bearing financial assets and liabilities will fluctuate due to changes in market interest rates. As at December 31, 2017, the Corporation is exposed to this risk as its convertible debentures bear interest at fixed rates.

**16. SEGMENTED INFORMATION**

The Corporation has two operating segments serving all geographic locations. Substantially all of the Corporation's revenues are generated in the United States, whereas substantially all of the Corporation's assets are located in Canada. The Corporation created the Voyent operating segment in 2017 and currently operates two operating segments as follows:

	December 31, 2017		
	Legacy Business \$	Voyent Business \$	Total \$
<b>Revenue</b>	1,753,975	-	1,753,975
<b>Expenses</b>			
Research & Development	631,450	614,413	1,245,863
General & Administrative	476,685	68,116	544,801
Sales, Marketing, & Operations	163,433	16,196	179,629
<b>Total Expenses</b>	1,271,568	698,725	1,970,294
<b>Net Operating Income (loss)</b>	482,408	(698,725)	(216,318)

	Legacy Business \$	Voyent Business \$	Total \$
<b>Operating segments</b>			
<b>Current assets</b>	166,751	10,372	177,123
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	910,648	341,877	1,252,525
Other	1,030,768	-	1,030,768
<b>Current liabilities</b>	1,941,416	341,877	2,283,293

**17. SUBSEQUENT EVENT**

On March 18, 2018, the Company issued additional convertible debentures in the amount of \$100,000 bearing interest at 12% per annum with the option to convert the principal and interest balance on the convertible debenture to common shares at the rate of \$0.15 per common share before maturity on March 19, 2021. In addition, as part of the issuance, the debenture holder is entitled to 1,000,000 warrants which can be converted to common shares at the exercise price of \$0.20 per common share. The warrants expire four years after issuance.