ICEsoft Technologies Canada Corp.

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

($CDN)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ICEsoft Technologies Canada Corp.

Opinion

We have audited the consolidated financial statements of ICEsoft Technologies Canada Corp., (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2(c) to the consolidated financial statements, which indicates that the Corporation has negative working capital of $1,742,405 and an accumulated deficit of $29,317,886 at December 31, 2019, and a net loss of $667,002 for the year ended December 31, 2019. As stated in note 2(c), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A), but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Terry Booth.

RSM Alberta LLP

Chartered Professional Accountants

May 6, 2020
Calgary, Alberta

	December 31, 2019 $	December 31, 2018 $
ASSETS		
Current Assets		
Cash	39,880	87,854
Accounts receivable (note 18(b))	46,676	23,551
Prepaid expenses and deposits	22,520	20,841
Total Current Assets	**109,076**	**132,246**
Right of use asset (note 6(a))	56,207	-
TOTAL ASSETS	**165,283**	**132,246**
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	936,405	998,987
Current portion of term loans (note 9)	62,437	243,264
Current portion of deferred revenue (notes 5 and 8)	699,440	744,523
Current portion of convertible notes (note 10)	123,336	271,156
Current portion of lease liability (note 6(b))	29,863	-
Total Current Liabilities	**1,851,481**	**2,257,930**
Convertible notes (note 10)	712,309	438,989
Deferred revenue (notes 5 and 8)	29,459	85,079
Term loans (note 9)	57,546	-
Derivative liability (note 10)	49,715	-
Lease liability (note 6(b))	32,577	-
Total Liabilities	**2,733,087**	**2,781,998**
Shareholders' Deficiency		
Share capital (note 12)	24,769,679	24,405,501
Equity portion of convertible notes (note 10)	35,690	35,690
Warrants (notes 10, 13 and 14)	585,624	232,286
Contributed surplus (note 13)	3,180,746	3,180,746
Accumulated other comprehensive loss	(1,821,657)	(1,853,091)
Deficit	(29,317,886)	(28,650,884)
Total Shareholders' Deficiency	**(2,567,804)**	**(2,649,752)**
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**165,283**	**132,246**

Going concern (note 2(c))
Segmented Information (note 19)
Subsequent events (note 20)

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

Approved by the Board of Directors: __________________, Director

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

	December 31, 2019 $	December 31, 2018 $
Revenues (note 5)		
Subscription income	1,401,761	1,429,426
Maintenance and support	-	17,259
License fees	12,877	47,745
Total Revenue	**1,414,638**	**1,494,430**
Expenses		
Research and development	978,202	1,204,432
General and administrative	496,480	387,812
Sales, marketing, and operations	469,676	148,508
Stock based compensation (note 14)	50,943	3,641
Amortization of right of use asset (note 6(a))	30,658	-
Total Expenses	**2,025,959**	**1,744,393**
Net Loss Before Other Income (Expenses)	**(611,321)**	**(249,963)**
Other Income (Expense)		
Other income	41,913	-
Gain on debt extinguishment (note 10)	25,305	-
Foreign exchange	18,843	(27,787)
Finance expense (note 15)	(141,742)	(138,585)
Total Other Income (Expense)	**(55,681)**	**(166,372)**
Net Loss	**(667,002)**	**(416,335)**
Other Comprehensive Loss		
Exchange gain (loss) on translation of foreign operations	31,434	(155,398)
Comprehensive Loss not reclassified to Net Loss	**(635,568)**	**(571,733)**
Loss per share - basic and diluted (note 12)	**(0.01)**	**(0.01)**

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

	Share Capital	Equity component of convertible notes	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2017	24,018,708	29,415	52,980	3,177,105	(28,234,549)	(1,697,693)	(2,654,034)
Issuance of units (notes 12, 13 and 14)	394,221	-	176,819	-	-	-	571,040
Convertible notes issued (notes 10,13 and 14)	-	6,275	6,780	-	-	-	13,055
Stock based compensation (notes 13 and 14)	-	-	-	3,641	-	-	3,641
Equity issuance costs (notes 12 and 13)	(7,428)	-	(4,293)	-	-	-	(11,721)
Net loss and comprehensive loss	-	-		-	(416,335)	(155,398)	(571,733)
Balance December 31, 2018	**24,405,501**	**35,690**	**232,286**	**3,180,746**	**(28,650,884)**	**(1,853,091)**	**(2,649,752)**
Issuance of units (notes 12 and 13)	364,178	-	163,822	-	-	-	528,000
Convertible notes issued (notes 10, 13 and 14)	-	-	138,573	-	-	-	138,573
Stock based compensation (note 14)	-	-	50,943	-	-	-	50,943
Net loss and comprehensive loss	-	-	-	-	(667,002)	31,434	(635,568)
Balance December 31, 2019	**24,769,679**	**35,690**	**585,624**	**3,180,746**	**(29,317,886)**	**(1,821,657)**	**(2,567,804)**

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, 2019 $	December 31, 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(667,002)	(416,335)
Add back (deduct) items not involving cash:		
Finance expense (note 15)	103,536	89,896
Stock-based compensation (note 14)	50,943	3,641
Gain on debt extinguishment (note 10)	(25,305)	-
Amortization of right of use asset (note 6(a))	30,658	-
	(507,170)	(322,798)
Changes in non-cash working capital items:		
Accounts receivable (note 18)	(23,125)	135,435
Prepaid expenses and deposits	(1,679)	(2,704)
Accounts payable and accrued liabilities (note 7)	(62,582)	(253,538)
Deferred revenue (note 8)	(100,703)	30,373
Net cash used in operating activities	**(695,259)**	**(413,232)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of units (notes 12 and 14)	369,900	559,319
Proceeds from issuance of convertible notes (note 10)	240,000	100,000
Proceeds from issuance of term loans (note 9)	80,957	-
Payment of term loans (note 9)	(50,581)	-
Payment of lease liability (note 6)	(24,425)	-
Net cash generated by financing activities	**615,851**	**659,319**
Effect of change in foreign exchange rates on cash	31,434	(155,398)
Net increase (decrease) in cash for the year	(47,974)	90,689
Cash, beginning of the year	87,854	(2,835)
Cash, end of the year	**39,880**	**87,854**

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

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. The Corporation's primary products consist of the Clickware products including ICEfaces and ICEpdf, and Voyent Alert.

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, 2019 and 2018 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 is 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 May 6, 2020.

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except as noted in notes 3(f) and (l).

(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, 2019 the Corporation has a negative net working capital position of $1,742,405 (December 31, 2018 - $2,210,763). The Corporation also incurred a net loss of $667,002 (2018 - $416,335) for the year ended December 31, 2019 and has an accumulated deficit of $29,317,886 (December 31, 2018 - $28,650,884) as at December 31, 2019.

2. BASIS OF PRESENTATION (continued)

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, 2019 is uncertain. Until this time, management will have to raise funds by way of debt or equity issuances or improve profitability. 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.

The recently declared pandemic for the COVID-19 virus could also negatively impact the Corporation's ability to continue as a going concern. The extent to which the coronavirus will impact the Corporation's results will depend on future developments, which are highly uncertain, cannot be predicted, and will include new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. For more information about the Corporation's exposure to COVID-19 see note 20 (subsequent event).

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, unless otherwise indicated.

(a) New standards adopted during the year:

The following new standards are effective for the first time for periods beginning on or after January 1, 2019 and has been applied in preparing these consolidated financial statements.

Impact of changes in accounting policies

(i) IFRS 16 – "Leases"

In January 2016, the IASB issued IFRS 16 Leases ("IFRS 16"), which replaces the existing IFRS guidance on leases: IAS 17 Leases ("IAS 17"). Under IAS 17, lessees were required to determine if the lease is a finance or operating lease, based on specified criteria of whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. Finance leases were recognized on the Consolidated Statements of Financial Position while operating leases were recognized in the Consolidated Statements of Loss and Comprehensive Loss when the expense was incurred. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for most lease contracts. The recognition of the present value of the lease payments for certain contracts previously classified as operating leases resulted in increases to assets, liabilities, amortization and finance expense, and a decrease in general and administrative expenses.

The Corporation adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Corporation's financial statements are not restated.

On adoption, the Corporation elected to use the transition election available to recognize lease liabilities at the present value of the remaining lease payments discounted using the Corporation's incremental borrowing rate. Right-of-use assets were measured at an amount equal to the lease liability. ICEsoft also elected to use the practical expedient that permits an entity not to reassess whether a contract is, or contains, a lease at the initial date of application.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The recognition of the present value of lease payments resulted in an additional $86,865 of right-of-use assets and associated lease liabilities. The Corporation has recognized lease liabilities in relation to lease arrangements previously disclosed as operating lease commitments under IAS 17 that meet the criteria of a lease under IFRS 16. Upon transition, the Corporation's incremental borrowing rate used in measuring lease liabilities was 19.2%.

(b) Revenue recognition:

The Corporation's primary sources of revenue under its contracts with customers are the sale of software licenses, the subsequent provision of post-contract customer support ("PCS") related to that software, software provided via a Software as a Service ("SaaS") model, and ad hoc service and maintenance. The PCS includes updates, support, maintenance and training. The various distinct performance obligations contained in the Corporation's contracts with its customers and the timing of revenue recognition on those obligations is as follows:

Performance Obligation	Timing of the satisfaction of the performance obligation	Pattern of transfer of control
Licenses when ongoing updates are critical to the utility of the software	Rateably over the term of the subscription	Over time
Licenses when ongoing updates are not critical to the utility of the software	Upon provision of the software	At a point in time
Support, maintenance and updates (when those updates are not critical to the utility of the software)	Rateably over the term of the subscription	Over time
Ad hoc service and maintenance	As the services are provided	Over time
Subscription under SaaS model	Rateably over the term of the subscription	Over time

Licenses when ongoing updates are not critical to the utility of the software and support, maintenance and updates (when those updates are not critical to the utility of the software) are included in subscription income in the consolidated statement of loss and comprehensive loss.

Typical payment terms for licensing, software, maintenance and updates are upon signing of the subscription. Payment for ad hoc service and maintenance is typically upon completion of the service. The Corporation applies the practical expedient in IFRS 15 and does not adjust the amount of consideration for the effects of any financing components on subscriptions with terms of one year or less.

SaaS allows a customer access to the Corporation's software on a platform hosted by a third party without taking possession of the software. SaaS is typically offered on a fixed-term basis. Where fees are fixed for the term, revenue is recognized rateably over the term commencing when the customer has the right to access the platform.

The Corporation allocates the transaction price to its performance obligations using their relative stand-alone prices.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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, 2019 or 2018.

(d) Leases:

Contractual arrangements, which signify a right to control the use of an identified asset for a period of time are considered leases. Each contractual arrangement is assessed to determine if the Corporation obtains substantially all the economic benefit from use of the identified asset. Leases for which the Corporation is a lessee are capitalized at the earlier of commencement of the lease term or when the asset becomes available for use, at the present value of the lease payments applying the implicit interest rate, if readily determined, or the Corporation's incremental borrowing rate. Adjustments to the lease asset are made if the contractual arrangement includes costs to dismantle the asset or any incentives received. Generally, lease components are considered in the present value calculation, with non-lease components expensed as incurred. Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. The lease liability is re-measured when there is a change in future lease payments arising from a change in rate, if there is a change to the Corporation's expected residual value guarantee payable, or if there are changes in the assessment for exercising a termination or extension option. If this occurs, a corresponding adjustment to the carrying value of the right-of-use asset is completed. If the carrying amount of the right-of-use asset has already been reduced to zero, the adjustment is recognized in profit or loss. The Corporation applies the recognition exemption for short-term leases 12 months or less in length, and leases for which the underlying asset is of low value. The expenses for these leases are recognized systematically over the lease term in general and administrative expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation leases a building for its office space. The lease typically runs for 5 years with the option to renew for additional periods. When the extension option is reasonably certain to be exercised, they are included in the non-cancellable lease term at lease commencement. Terms and conditions are renegotiated upon renewals to allow for operational flexibility.

(e) Foreign currency translation:

Foreign currency transactions are initially recorded in the individual Corporation'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 income or loss.

(f) Financial instruments:

Financial instruments are measured at fair value on initial recognition, which is typically the transaction price unless a significant financing component is present. Subsequent measurement is dependent on whether the instrument is classified as “amortized cost”, “fair value through profit or loss” or “fair value through other comprehensive income”. The classification of financial assets is determined by their characteristics and their context in the Corporation's business model.

The Corporation classifies financial assets and liabilities as follows:

(i) Amortized cost: Cash, accounts receivable, accounts payable and accrued liabilities, term loans, convertible notes and lease liability are held by the Corporation to collect or pay contractual cash flows and are measured at amortized cost. Financial instruments measured at amortized cost are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

(ii) Fair value through profit or loss: Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including interest expense are recognized in profit or loss.

(iii) Fair value through other comprehensive income: The Corporation has no financial instruments that do not meet the criteria to be measured at amortized cost or fair value through profit or loss and, accordingly, no financial instruments are measured at fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation derecognizes a financial asset when the contractual right to the cash flow expires, or the right to receive the contractual cash flows from the financial asset and substantially all the risks and rewards of ownership of the financial asset are transferred. The Corporation derecognizes a financial liability when the contractual obligations are discharged, cancelled or expired.

(g) 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.

All financial derivative contracts are classified as fair value through profit or loss and measured at fair value. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. The embedded derivative liability is calculated using the Black-Scholes pricing model.

Some convertible notes have an embedded derivative because these notes could be converted into a variable number of common shares of the Corporation. The fair value of the derivatives were calculated using the Black-Scholes pricing model, based on the stock prices, volatility and term remaining at issuance and at the reporting date. If these convertible notes are converted, the value of the derivative liabilities are included in share capital along with the proceeds from the conversion. If these convertible notes default or otherwise mature without conversion, the related derivative liability is reversed through the profit or loss.

(h) 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. The Corporation allocates the proceeds from each unit issue to the common share and the warrant components based on their respective fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 using the Black-Scholes option pricing model 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.

(j) Impairment:

Financial assets

The Corporation recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if, after initial recognition of the financial asset, one or more indicators exist that reduce estimated future cash flows from the financial asset and that impact can be reliably measured. The Corporation applies the simplified approach to expected credit loss measurement, which uses a lifetime expected impairment to determine the expected credit loss. The Corporation uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through an allowance account, and the loss is recognized in selling, general and administrative expenses.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(m) 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.

4. 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.

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

(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).

ii. Revenue

The Corporation makes judgments in determining whether a performance obligation is distinct (i.e. if a service is separately identifiable from other services provided and if the customer can benefit from it). Performance obligations are accounted for separately if they are distinct. The determination as to whether the licenses is separable from its related updates is based on whether those updates are critical to the software's utility.

(b) Assumptions and critical estimates

(i) Compound financial instruments

Certain financial instruments are comprised of a liability and an equity component, or multiple liability components. The determination of the amount allocated to each component requires management to estimate either elements and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible loans, or elements and characteristics of the Black-Scholes option pricing model, including future volatility in the Corporation's share prices, the expected lives of the conversion features, 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 conversion features.

(ii) 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)

(iii) 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.

5. REVENUE

The Corporation disaggregates revenue by two major service lines: (1) "Clickware" and (2) "Voyent Alert" revenue. Both categories include subscription revenue earned on software access licence agreements and support and maintenance revenue earned from providing customer requested assistance and updates within the reporting year.

	December 31, 2019 $	December 31, 2018 $
Revenue by major category		
Clickware		
Subscription income	1,337,563	1,426,645
Maintenance and support	-	17,259
License fees	12,877	47,259
	1,350,440	1,491,163
Voyent Alert		
Subscription income	64,198	3,267
Total	**1,414,638**	**1,494,430**

The Corporation has two operating segments serving all geographic locations with similar disaggregation (note 19).

5. REVENUE (continued)

Revenue allocated to remaining performance obligations

(i) Estimate of future revenue

As at December 31, 2019, revenues allocated to remaining performance obligations from subscription contracts extending through to 2022, total approximately $729,000. Of this amount, approximately $700,000 is expected to be recognized in 2020, $28,000 in 2021 and $1,000 in 2022.

6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

(a) Right-of-use asset

	Office Space $
January 1, 2019	
Initial recognition	86,865
Amortization	(30,658)
Balance, December 31, 2019	**56,207**

(b) Lease liability

(i) Balance sheet

	December 31, 2019
Current lease liabilities	29,863
Non-current lease liabilities	32,577
Total	**62,440**

(ii) Reconciliation to operating lease commitment

Operating agreements included in commitments at December 31, 2018	111,771
Discounting	(24,906)
Lease liability recognized due to adoption of IFRS 16 on January 1, 2019	**86,865**

(iii) Maturity analysis

	Within 1 year	After 1 year but no more than 5 years	Total
Future lease payments	29,863	32,577	62,440
Interest	8,755	2,700	11,455
Total lease payments	**38,618**	**35,277**	**73,895**

6. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)

Lease payments for the year ended December 31, 2019 were $37,876, which comprised $24,425 of principal payments and $13,451 of interest. Maturity is based on contractual amounts due.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2019 $	**December 31, 2018 $**
Trade payables	297,244	382,666
Payroll liabilities	639,161	616,321
	936,405	**998,987**

Trade accounts payable are non-interest bearing and are normally due on 30 to 60 day terms. As at December 31, 2019, the Corporation has $112,235 (2018 - $218,690) in trade accounts payable beyond 60 days.

8. DEFERRED REVENUE

Timing differences between invoicing, cash collection, and revenue recognition results in accounts receivable and also results in deferred revenue on the consolidated statement of financial position. Amounts are billed in accordance with the terms of each customer contract. For most contracts, the Corporation receives payments for contract subscriptions prior to satisfying contracted obligations and recognizing revenue, resulting in deferred revenue.

All deferred revenue accrued in 2018 and 2019 relates to certain subscription agreements. Changes in deferred revenue during the year consists of:

	December 31, 2019 $	**December 31, 2018 $**
Deferred revenue		
Opening balance	829,602	799,229
Collected	1,261,786	1,426,167
Recognized in revenue		
From opening balances	770,003	825,686
From additions in period	644,271	600,481
Foreign exchange loss	51,785	30,373
Closing balance	**728,899**	**829,602**

9. TERM LOANS

A summary of the term loans outstanding is as follows:

	December 31, 2019 $	December 31, 2018 $
Government royalty financing payable, unsecured, bearing interest at back prime plus 3%, due on demand. (i)	5,968	56,549
Notes payable to the President and CEO, bearing interest at 6%, unsecured, and due on demand (ii)	33,058	186,715
Note payable to the President and CEO, bearing interest at 6%, unsecured, and due on demand	40,000	-
Note payable to the President and CEO, bearing interest at 6%, unsecured, and matures July 1, 2020 (ii)	35,000	-
Short term borrowings from the President and CEO, bearing no interest, unsecured, and due on demand	5,957	-
Total debt outstanding	**119,983**	**243,264**
Less: current portion	(62,437)	(243,264)
Long term portion	57,546	-

(i) During the year ended December 31, 2019, $50,581 was repaid in blended monthly payments of principal and interest beginning April 1, 2019. At December 31, 2019, one payment remains outstanding. No additional interest was accrued during the year within the terms of the agreement.

(ii) During the year ended December 31, 2019, notes payable to the President and CEO of $158,100 were converted to equity (note 12). Interest totalling $4,443 (2018 - $13,372) was accrued on the remaining principal loan balance.

10. CONVERTIBLE NOTES

Changes in convertible notes during the year consists of:

	December 31, 2019 $	December 31, 2018 $
Convertible notes		
Opening balance	710,145	549,564
Modification of notes (i)	(25,305)	-
Additions (ii)	51,712	86,945
Accretion	30,280	26,769
Interest accrued	82,813	95,556
Interest paid	(14,000)	(48,689)
Total debt outstanding	**835,645**	**710,145**
Less: current portion	123,336	271,156
Long term portion	712,309	438,989

(i) On March 31, 2019, the Corporation extended maturity dates of outstanding convertible debt with a face value of $590,115 by one year. All extended convertible notes now expire on dates throughout 2021 (2018 – 2020). As part of each issuance, the note holder was entitled to warrants which can be converted to common shares. The warrant expiry date was also extended one year. All warrants expire on dates throughout 2022 (2018 – 2021). No other terms of the convertible debt agreements were amended. As a result of the extension, a gain on debt extinguishment of $25,304 was realized.

(ii) During the year ended December 31, 2019, the corporation issued one new convertible note for $240,000. The note bears interest at 12% annual interest with a maturity date of December 18, 2022. The note is convertible to common shares at a conversion price of $0.12 per share at the option of the holder. 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 December 18, 2023.

The convertible note also included an automatic conversion option which occurs in the event of a material equity raise in excess of $900,000 whereby the Corporation has an obligation to issue a variable number of shares. The conversion price shall be at the share or unit purchase price as established by the material equity raise. Accordingly, the Corporation recorded a derivative liability on issuance. The residual value assigned to equity is bifurcated between the derivative liability and the detachable warrant based on their respective values as determined by the Black-Scholes option pricing model using a share price of $0.10 per share, exercise price of $0.12 per share, term of 3 years, volatility of 100% and 1.72% discount rate. In 2019, $138,573 was assigned to the detachable warrants (note 14(b)), $49,715 was assigned to the derivative liability, and the remaining $51,712 was assigned to the host liability. The difference between the fair value of the derivative liability at December 31, 2019 and date of issuance was nominal.

10. CONVERTIBLE NOTES (continued)

A 10% increase in volatility would result in a $4,100 increase in value of the derivative liability, while a $0.01 increase in share price would result in a $6,700 increase in value of the derivative liability. A comparative decrease in volatility and share price would result in a comparably opposite change in value of the derivative liability.

During the year ended December 31, 2018, the Corporation issued one new convertible note for $100,000. The note bears interest at 12% annual interest with a maturity date of March 19, 2021. The note is 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 March 19, 2022.

In accordance with IAS 32, the Corporation has determined the fair value of the liability by discounting the expected future cash flows of the liability component at a market rate of interest of 18% for non-convertible debt.

The residual value assigned to equity is bifurcated between the conversion feature of the note and the detachable warrant based on their respective values as determined by the Black-Scholes option pricing model. In 2018, $6,780 was assigned to the detachable warrants and $6,275 was assigned to the equity conversion feature of the note.

11. 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, 2019 $	December 31, 2018 $
Loss before income taxes	(667,002)	(416,335)
Weighted average statutory income tax rate	26.45%	33.44%
Expected income tax recovery	(176,450)	(139,222)
Change in valuation allowance	(176,234)	(53,771)
Prior year adjustment to actual	15,615	(26,784)
Effect of change in tax rates	298,835	240,430
Stock-based compensation	13,500	983
Other	24,734	21,636
Income tax recovery	-	-

The effective tax rate has decreased due to changes in income and losses between the Canadian and US companies, combined with a reduction in the Alberta provincial tax rate.

11. INCOME TAXES (continued)

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

	December 31, 2019	December 31, 2018 $
Non-capital losses	**2,156,779**	**2,333,874**
Property and equipment	**2,553**	**1,692**
Valuation allowance	**(2,159,332)**	**(2,335,566)**
Deferred tax asset	**-**	**-**

As at December 31, 2019, the Corporation has Canadian non-capital loss carry forwards of approximately $7,533,877 (2018 - 6,304,476) and US non-capital loss carry forwards of approximately US $1,312,553 (2018 - US $1,529,886). The non-capital loss carry forwards expire at various dates from 2027 to 2039. The Corporation also has tax deductible balances of $11,100 (2019 - $8,138), relating to property and equipment, which have not been recognized on the consolidated statement of financial position.

12. 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 $
Balance, December 31, 2017	**43,045,824**	**24,018,708**
Issuance of shares for cash (i)	4,758,666	394,221
Equity issuance cost	-	(7,428)
Balance, December 31, 2018	**47,804,490**	**24,405,501**
Issuance of shares for cash (ii)	3,024,249	255,272
Conversion of term loans (iii)	1,280,000	108,906
Balance, December 31, 2019	**51,108,739**	**24,769,679**

(i) During the year ended December 31, 2018, the Corporation issued 4,758,666 units at a price of $0.12 per unit for gross proceeds of $571,040. Each unit consisted of one common share and one common share purchase warrant. The warrants had an exercise price of $0.20 per share and expire three years from date of issuance. The warrants were assigned a value of $176,819 based on the relative fair value of the shares and warrants. The value of the warrants was calculated using the Black-Scholes option pricing model.

12. SHARE CAPITAL (continued)

(ii) During the year ended December 31, 2019, the Corporation issued 2,791,249 units at a price of $0.12 per unit and 233,000 units at a price of $0.15 per unit for gross proceeds of $369,900. Each unit consisted of one common share and one common share purchase warrant. The warrants had an exercise price of $0.20 per share and expire three years from date of issuance. The warrants were assigned a value of $114,628 based on the relative fair value of the shares and warrants. The value of the warrants was calculated using the Black-Scholes option pricing model (note 14 (b)).

(iii) On March 29, 2019, the Corporation converted $158,100 out of $228,146 of term loans held by a member of management into 1,130,000 units at $0.12 per unit and 150,000 units at $0.15 per unit (note 9). Each unit consists of one common share in the Corporation and one purchase warrant. Each warrant allows the purchase of one common share at an exercise price of $0.20 per share. The warrants expire three years after issuance. The warrants were assigned a value of $49,194 based on the relative fair value of the shares and warrants. The value of the warrants was calculated using the Black-Scholes option pricing model. As part of the transaction, the remaining $70,046 of unconverted term loans were segregated into two term loans from the lender to the Corporation valued at $57,546 and $12,500 respectively. The term loans are unsecured, bear interest at 6% per annum, and mature on July 1, 2021 and on demand respectively.

(iv) The weighted average number of common shares outstanding used to calculate basic and diluted loss per share is 50,868,189 for the year ended December 31, 2019 (2018 – 44,653,648). The Corporation excluded all convertible notes, stock options from the calculation of diluted income per share for the years ended December 31, 2019 and December 31, 2018, as they would be anti-dilutive.

13. CONTRIBUTED SURPLUS & WARRANTS

Contributed surplus includes the fair value of stock options granted. When options are subsequently exercised, the fair value of such options is removed from contributed surplus and is credited to share capital. Refer to note 14 for further details on the stock option plan.

	$
Balance, December 31, 2017	**3,177,105**
Stock-based compensation expense	3,641
Balance, December 31, 2018 and 2019	**3,180,746**

13. CONTRIBUTED SURPLUS & WARRANTS (continued)

Warrants includes the 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. When warrants expire, their value is credited to contributed surplus. Refer to notes 8 and 12 for further details on warrant transactions.

	$
Balance, December 31, 2017	**52,980**
Warrants issued with units and convertible notes	183,599
Equity issuance cost	(4,293)
Balance, December 31, 2018	**232,286**
Warrants issued with units and convertible notes	302,395
Stock-based compensation	50,943
Balance, December 31, 2019	**585,624**

14. 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, 2019 and December 31, 2018 are as follows:

	For the year ended December 31, 2019		**For the year ended December 31, 2018**	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding at beginning of year	4,630,000	0.14	4,780,000	0.14
Options granted	-	-	-	-
Options cancelled / forfeited	-	-	(150,000)	0.13
Outstanding at end of year	4,630,000	0.14	4,630,000	0.14
Exercisable at end of year	4,630,000	0.14	4,630,000	0.14

The weighted average remaining life of all options outstanding at December 31, 2019 is 0.32 years (2018 – 1.31 years).

The Corporation recorded stock-based compensation expense for options of $Nil (December 31, 2018 - $3,641) with an offsetting increase to contributed surplus in respect of the stock options granted to Directors.

14. STOCK-BASED COMPENSATION & WARRANT TRANSACTIONS (continued)

No options were granted or exercised during the years ended December 31, 2019 or December 31, 2018.

(b) A summary of warrant transactions is as follows:

	Number of Warrants	Weighted average exercise price	Expiry Date
Outstanding at December 31, 2017	**9,780,835**	**0.21**	
Issued throughout 2018	4,758,666	0.20	Throughout 2021
Issued March 19, 2018 with convertible debt	1,000,000	0.20	March 19, 2022
Issued December 7, 2018 as finder's fee	72,666	0.20	December 6, 2021
Expired	(3,379,685)	0.24	July 1, 2018
Outstanding at December 31, 2018	**12,232,482**	**0.20**	
Issued throughout 2019 (note 12)	4,304,249	0.20	Throughout 2022
Issued March 28, 2019 as stock-based compensation (i)	750,000	0.12	March 28, 2022
Issued December 18, 2019 with convertible debt (note 10)	2,400,000	0.20	December 18, 2023
Outstanding at December 31, 2019	**19,686,731**	**0.19**	

	Number of Warrants	Weighted average remaining contractual life (years)	Weighted average exercise price $
Outstanding at December 31, 2019	**19,686,731**	**2.16**	**$0.19**

The fair value of the warrants used in the input into the bifurcation of units 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, 2019	For the year ended December 31, 2018
Fair Value of warrants	$0.04	$0.16
Exercise Price	$0.20	$0.20
Share Price	$0.08	$0.08
Dividend Yield	-	-
Forfeiture %	-	-
Risk-free interest rate	1.61%	2.1%
Expected life of warrants	3.00 years	2.79 years
Expected volatility	100%	100%

14. STOCK-BASED COMPENSATION & WARRANT TRANSACTIONS (continued)

(i) During the year ended December 31, 2019, the Corporation issued 750,000 common share purchase warrants to contractors in exchange for services. Each warrant has an exercise price $0.12 and expire three years from date of issuance. The warrants were assigned a value of $50,943 based on the relative fair value calculated using the Black-Scholes option pricing model.

No warrants were exercised during the year ended December 31, 2019.

15. FINANCE EXPENSE

	2019	2018
Interest on term loans	4,443	16,260
Interest on convertible notes	82,813	95,556
Accretion on convertible notes	30,280	26,769
Interest on lease liability	13,451	-
Other	10,755	-
	$ 141,742	**$ 138,585**

Finance expense includes non-cash interest of $4,443 (2018 - $16,260) on the term loan and non-cash interest and accretion of $99,093 (2018 - $73,636) on the convertible note.

16. 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.

Key management personnel compensation comprised:

	December 31, 2019 $	**December 31, 2018 $**
Wages and salaries	113,807	110,000
Stock-based compensation	30,419	-
Total	144,226	110,000

16. RELATED PARTY TRANSACTIONS (continued)

The Corporation incurred interest expense of $18,843 (2018 - $24,315) on term loans and convertible notes held by key management personnel during the year ended December 31, 2019. Key management personnel have accounts payable owing from the Corporation, including interest, payroll and vacation accruals, in the amount of $536,277 at December 31, 2019 (2018 - $600,634) and hold long-term debt and convertible notes payable from the Corporation totaling $158,947 at December 31, 2019 (2018 – $567,400). 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 $1,414,824 (2018 - $1,410,398) for the year ended December 31, 2019, split between general and administrative, sales, marketing and operations, and research and development expenses, based on work performed. Included in personnel expenses for the year ended December 31, 2019 was $111,500 (2018 - $97,125) paid to immediate family members of key management personnel who are employees of the Corporation. These transactions were in the normal course of business.

17. 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 items that assist in funding operations and include convertible notes and equity, comprised of 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 issue shares and adjust its spending.

The corporation's capital consists of:

	December 31, 2019	**December 31, 2018**
	$	**$**
Convertible notes	835,645	710,145
Derivative liability	49,715	-
Common shares	24,769,679	24,405,501
Equity portion of convertible notes	35,690	35,690
Contributed surplus	3,180,746	3,180,746
Warrants	585,624	232,286
Accumulated other comprehensive income	(1,821,657)	(1,853,091)
Deficit	(29,317,886)	(28,650,884)
Total shareholders' deficiency	(1,682,444)	(2,649,752)

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.

18. 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:

(a) Fair value

Due to the short-term nature of cash, accounts receivable, deposits, 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, convertible notes, and lease liability approximate their fair value due either to the interest rate approximating market rates or because of the short period maturity.

The derivative liability is measured at fair value at each reporting period as outlined in note 10.

(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 and accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the Corporation's cash and cash equivalents and accounts receivable.

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, 2019, accounts receivable over 30 days old were $32,889 (2018 - $19,933). The Corporation did not record any bad debts during the year ended December 31, 2019 or 2018.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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, 2019 the Corporation has cash of $39,880 (2018 - $87,854). Additionally, as at December 31, 2019 the Corporation has negative net working capital position of $1,838,493 (2018 - $2,210,763). The Corporation will closely monitor its cash and will take the necessary measures to manage its liquidity risk, such as reducing spending, improving profitability, deferring closely held liabilities or raising funds 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, 2019, the Corporation's exposure to currency risk is limited to cash denominated in US dollars in the amount of US $1,971 (2018 - bank indebtedness of US $12,776), accounts receivable of US $Nil (2018 – US $16,970), notes payable of US $Nil (2018 – US $NIL), accounts payable and accrued liabilities denominated in US dollars in the amount of US $48,447 (2018 - US $319,058). A 1% change in the exchange rate between the Canadian and US dollar would have a $319 (2018 - $2,843) impact on the net loss and cash flows of the Corporation.

(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, 2019, the Corporation is exposed to this risk as its convertible notes bear interest at fixed rates. A 1% change in the interest rate would have a $6,987 (2018 - $6,687) impact on the net loss and cash flows of the Corporation.

19. 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 currently operates two operating segments as follows:

19. SEGMENTED INFORMATION (continued)

	December 31, 2019		
	Legacy Business $	**Voyent Business $**	**Total $**
Revenue	1,350,440	64,198	1,414,638
Expenses			
Research and development	586,921	391,281	978,202
General and administrative	297,888	198,592	496,480
Sales, marketing, and operations	281,806	187,870	469,676
Stock-based compensation	30,566	20,377	50,943
Amortization of right of use asset	18,395	12,263	30,658
Total Expenses	1,215,575	810,384	2,025,959
Net Operating Income (loss)	**134,865**	**(751,997)**	**(611,321)**

Operating segments	**Legacy Business $**	**Voyent Business $**	**Total $**
Current assets	**70,748**	**47,165**	**117,913**
Current liabilities			
Accounts payable and accrued liabilities	561,843	374,562	936,405
Other	549,046	366,030	915,076
Current liabilities	**1,110,889**	**740,592**	**1,851,481**

19. SEGMENTED INFORMATION (continued)

	December 31, 2018		
	Legacy Business $	**Voyent Business $**	**Total $**
Revenue	**1,491,163**	**3,267**	1,494,430
Expenses			
Research & Development	722,659	487,773	1,204,432
General & Administrative	232,687	155,124	387,811
Sales, Marketing, & Operations	89,105	59,403	148,508
Total Expenses	1,044,451	702,300	1,740,751
Net Operating Income (loss)	**446,712**	**(699,033)**	**(246,321)**

Operating segments	**Legacy Business $**	**Voyent Business $**	**Total $**
Current assets	**129,039**	**3,207**	**132,246**
Current liabilities			
Accounts payable and accrued liabilities	786,916	212,071	998,987
Other	1,072,866	-	1,072,866
Current liabilities	**1,859,782**	**212,071**	**2,071,853**

20. SUBSEQUENT EVENTS

In March 2020, the Corporation closed two trances of a non brokered private placement resulting in the issuance and sale of 15,212,500 units for gross proceeds of $1,217,000 and issuance of 14,639,005 units pursuant to the completion of securities for debt transactions whereby $932,120 of secured convertible debt and accrued and unpaid interest and $240,000 of term loans were converted into units. Each unit consists of one common share in capital of the Corporation and one half of a purchase warrant, with each full purchase warrant entitling the holder to subscribe for one additional common share at an exercise price of $0.12 per common share. The warrants expire 2 years from the grant date. The Corporation paid cash equivalent commissions of $63,350, being 7% of gross proceeds from the first tranche of the private placement, to a third party securities firm as a finder's fee. The Corporation granted 527,916 finder warrants with an exercise price of $0.12 per common share, being the cash commission paid pursuant to the closing of the first tranche of the private placement divided by the exercise price of the finder warrants. The finder warrants expire 2 years from the grant date.

On April 9, 2020 the Corporation issued 4,515,000 common stock options to directors and employees of the Corporation. The options have an exercise price of $0.10 per common share, vest immediately, and expire 4 years from grant date.

20.S UBSEQUENT EVENTS (continued)

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. While the Corporation is not currently seeing any impact of these developments on the financial results and condition of the Corporation and itssubsidiaries, it is not possible to reliably estimate the impact of the COVID-19 outbreak on suchfinancial results and conditions in future periods.