ICEsoft Technologies Canada Corp.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

($CDN)

RSM

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, 2020 and 2019 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) .

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 $1,200,645 and an accumulated deficit of $30,813,880 at December 31, 2020, and a net loss of $1,495,994 for the year ended December 31, 2020. 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 (IFRS) , 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
April 27, 2021
Calgary, Alberta

ASSETS	December 31, 2020 $	December 31, 2019 $
Current Assets		
Cash	167,551	39,880
Accounts receivable (note 18(b))	66,336	46,676
Prepaid expenses and deposits	21,031	22,520
Total Current Assets	**254,918**	**109,076**
Property and equipment	1,700	**-**
Right of use asset (note 6(a))	17,562	56,207
TOTAL ASSETS	**274,180**	**165,283**
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	799,941	936,405
Current portion of deferred revenue (notes 5 and 8)	532,354	699,440
Current portion of term loans (note 9)	10,400	62,437
Current portion of convertible notes (note 10)	94,998	123,336
Current portion of lease liability (note 6(b))	17,870	29,863
Total Current Liabilities	**1,455,563**	**1,851,481**
Deferred revenue (notes 5 and 8)	79,013	29,459
Term loans (note 9)	21,536	57,546
Convertible notes (note 10)	-	712,309
Derivative liability (note 10)	-	49,715
Lease liability (note 6(b))	-	32,577
Total Liabilities	**1,556,112**	**2,733,087**
Shareholders’ Deficiency		
Share capital (note 12)	26,861,053	24,769,679
Equity portion of convertible notes (note 10)	6,074	35,690
Warrants (notes 10, 13 and 14)	948,114	585,624
Contributed surplus (note 13)	3,541,349	3,180,746
Accumulated other comprehensive loss	(1,824,642)	(1,821,657)
Deficit	(30,813,880)	(29,317,886)
Total Shareholders’ Deficiency	**(1,281,932)**	**(2,567,804)**
TOTAL LIABILITIES AND SHAREHOLDERS’ DEFICIENCY	**274,180**	**165,283**

Going concern (note 2(c))
Subsequent event (note 19)

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

Approved by the Board of Directors: *"Brian McKinney"*, Director

	December 31, 2020 $	December 31, 2019 $
Revenues (note 5)		
Subscription income	1,286,876	1,401,761
License fees	-	12,877
Total Revenue	**1,286,876**	**1,414,638**
Expenses		
Research and development	1,015,417	978,202
General and administrative	532,606	496,480
Sales, marketing, and operations	501,983	469,676
Stock based compensation (note 14)	273,034	50,943
Amortization of right of use asset (note 6(a))	29,061	30,658
Operating Expenses	**2,352,101**	**2,025,959**
Net Loss Before Other Income (Expenses)	**(1,065,225)**	**(611,321)**
Other Income (Expense)		
Other income (expense)	(8,989)	41,913
Government assistance	102,211	-
Gain on debt modification (note 10)	-	25,305
Loss on debt extinguishment (note 10)	(7,773)	
Loss on valuation of derivative liability (note 10)	(121,565)	-
Loss on inducement to settle debt (note 10)	(304,397)	-
Gain on lease modification (note 6)	7,881	-
Foreign exchange	(14,482)	18,843
Finance expense (note 15)	(83,655)	(141,742)
Total Other Income (Expense)	**(430,769)**	**(55,681)**
Net Loss	**(1,495,994)**	**(667,002)**
Other Comprehensive Loss		
Item that may be reclassified to profit or loss		
Exchange gain (loss) on translation of foreign operations, net of tax	(2,985)	31,434
Total Comprehensive Loss	**(1,498,979)**	**(635,568)**
Loss per share - basic and diluted (note 12)	**(0.02)**	**(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, 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, 13 and 14)	364,178	-	163,822	-	-	-	528,000
Convertible notes issued (notes 10,13 and 14)	-	-	138,573	-	-	-	138,573
Stock based compensation (notes 13 and 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)**
Issuance of units (notes 12 and 13)	956,650	-	183,457	-	-	-	1,140,107
Issuance of units on debt conversion and settlement (notes 9, 10, 13 and 14)	1,160,587	(29,616)	150,062	95,565	-	-	1,376,598
Equity issuance costs	(25,863)		(5,018)				(30,881)
Stock based compensation (note 14)	-	-	22,919	250,115	-	-	273,034
Warrants issued as equity issuance costs (note 14)	-	-	25,993		-	-	25,993
Expiry of warrants (note 14)	-	-	(14,923)	14,923	-	-	-
Net loss and comprehensive loss	-	-	-	-	(1,495,994)	(2,985)	(1,498,979)
Balance December 31, 2020	**26,861,053**	**6,074**	**948,114**	**3,541,349**	**(30,813,880)**	**(1,824,642)**	**(1,281,932)**

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, 2020 $	December 31, 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(1,495,994)	(667,002)
Add back (deduct) items not involving cash:		
Finance expense (note 15)	62,909	103,536
Stock-based compensation (note 14)	273,034	50,943
Gain on debt extinguishment (note 10)	-	(25,305)
Loss on debt modification	7,773	-
Loss on valuation of derivative liability (note 10 (ii))	121,565	-
Loss on inducement to settle debt (note 10 (iii))	304,397	-
Gain on lease modification (note 6)	(7,881)	-
Government assistance (note 9 (iii))	(10,000)	-
Amortization of right of use asset (note 6(a))	29,061	30,658
	(715,135)	(507,170)
Changes in non-cash working capital items:		
Accounts receivable (note 18)	(19,660)	(23,125)
Prepaid expenses and deposits	1,489	(1,679)
Accounts payable and accrued liabilities (note 7)	(144,006)	(62,582)
Deferred revenue (note 8)	(125,996)	(100,703)
Net cash used in operating activities	**(1,003,308)**	**(695,259)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of units (notes 12 and 14)	1,122,769	369,900
Proceeds from issuance of convertible notes (note 10)	-	240,000
Proceeds from issuance of term loans (note 9)	40,000	80,957
Payment of term loans (note 9)	-	(50,581)
Payment of lease liability (note 6)	(27,105)	(24,425)
Net cash generated by financing activities	**1,135,664**	**615,851**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(1,700)	-
Net cash used in by investing activities	**(1,700)**	**-**
Effect of change in foreign exchange rates on cash	(2,985)	31,434
Net increase (decrease) in cash for the year	127,671	(47,974)
Cash, beginning of the year	39,880	87,854
Cash, end of the year	**167,551**	**39,880**

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 261, 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, 2020 and 2019 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 April 27, 2021.

(b) Basis of preparation

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

(c) Going concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting standards applicable to a going concern, which assumes the Company will continue realize its assets and discharge its liabilities for the foreseeable future. The Company continues to be unable to generate a profit from operations; it incurred a net loss of $1,495,994 (2019 - $667,002) for the year ended December 31, 2020. As at December 31, 2020, current liabilities exceeded current assets by $1,200,645 (December 31, 2019 - $1,742,405) and has an accumulated deficit of $30,813,880 (December 31, 2019 - $29,317,886) as at December 31, 2020. The continuing operations of the Company are dependent on its ability to manage cash resources, generate additional revenue from its software by obtaining greater market share, and obtain equity or debt financing to meet its obligations and repay its liabilities arising from normal business obligations when they become due. These factors indicate the existence of material uncertainties that may cast significant doubt as to the ability of the Company to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate for these financial statements, then adjustments, which could be material would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classification used.

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, 2020 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.

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (“COVID-19”), which could negatively impact the Corporation’s ability to continue as a going concern. The Corporation did not see a significant impact on financial results due to COVID-19 in 2020. The extent to which the coronavirus will impact the Corporation and its subsidiaries future financial 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.

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) 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)

(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, 2020 or 2019.

(c) 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 expenses for these leases are recognized systematically over the lease term in general and administrative expenses.

(d) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

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.

(f) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(g) 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.

(h) 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.

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(j) 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.

(k) Government grants:

The Corporation records, presents and discloses government grants received in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance.* Government Grants received are recognized in profit or loss as other income when there is reasonable assurance the Corporation will comply with the conditions attached to them and that the grants will be received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

iii. Settlement of convertible debt

The Corporation makes judgments in determining whether settlement of convertible debt via unit issuances constitutes prepayment of debt via units or inducement to convert debt. Inducement to convert debt results on a loss on inducement related to the difference between the values of equity instruments which would have been issued on conversion as compared to those that were issued under the modified terms.

(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, 2020	**December 31, 2019**
	$	**$**
Revenue by major category		
Clickware		
Subscription income	1,114,775	1,337,563
License fees	6,823	12,877
	1,121,598	1,350,440
Voyent Alert		
Subscription income	165,278	64,198
Total	**1,286,876**	**1,414,638**

Revenue allocated to remaining performance obligations

(i) Deferred revenue

As at December 31, 2020, revenues allocated to remaining performance obligations from subscription contracts extending through to 2023, total approximately $611,000. Of this amount, approximately $532,000 is expected to be recognized in 2021, $61,000 is expected to be recognized in in 2022 and $18,000 is expected to be recognized in in 2023.

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)
December 31, 2019	56,207
Lease modification	(9,584)
Amortization	(29,061)
December 31, 2020	**17,562**

(b) Lease liability

(i) Balance sheet

	December 31, 2020 $	**December 31, 2019 $**
Current lease liabilities	17,870	29,863
Non-current lease liabilities	-	32,577
Total	**17,870**	**62,440**

(ii) Maturity analysis

	Within 1 year	After 1 year but no more than 5 years	Total
Future lease payments	17,870	-	17,870
Interest	1,728	-	1,728
Total lease payments	**19,598**	**-**	**19,598**

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

During the year ended December 31, 2020, the Company amended the terms of its lease for office space, resulting in a gain on modification of $7,881.

Lease payments for the year ended December 31, 2020 were $35,421 (2019 - $37,876), which comprised $27,105 (2019 - $24,425) of principal payments and $8,316 (2019 - $13,451) of interest. Maturity is based on contractual amounts due.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2020 $	December 31, 2019 $
Trade payables	180,751	297,244
Payroll liabilities	619,190	639,161
	799,941	**936,405**

Trade accounts payable are non-interest bearing and are normally due on 30 to 60 day terms. As at December 31, 2020, the Corporation has $24,887 (2019 - $112,235) 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 statements 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 2019 and 2020 relates primarily to subscription agreements. Changes in deferred revenue during the year consists of:

	December 31, 2020 $	December 31, 2019 $
Deferred revenue		
Opening balance	728,899	829,602
Collected	1,079,932	1,261,786
Recognized in revenue		
From opening balances	(797,949)	(770,003)
From additions in period	(497,639)	(644,271)
Foreign exchange loss	98,124	51,785
Closing balance	**611,367**	**728,899**
Less: current portion	532,354	699,440
Long-term deferred revenue	79,013	29,459

9. TERM LOANS

A summary of the term loans outstanding is as follows:

	December 31, 2020 $	December 31, 2019 $
Government royalty financing payable, unsecured, bearing interest at back prime plus 3%, due on demand. (i)	-	5,968
Notes payable to the President and CEO, bearing interest at 6%, unsecured, and due on demand (ii)	-	33,058
Note payable to the President and CEO, bearing interest at 6%, unsecured, and due on demand (ii)	-	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	10,400	5,957
Canada Emergency Business Account ("CEBA") loan (iii)	21,536	-
Total debt outstanding	**31,936**	**119,983**
Less: current portion	10,400	62,437
Long term portion	21,536	57,546

(i) During the year ended December 31, 2020, $5,968 was repaid in blended monthly payments of principal and interest.

(ii) During the year ended December 31, 2020, notes payable to the President and CEO of $110,046 were settled in shares at a price of $0.15 per share, along with related interest of $6,744. This share settlement above market price of $0.067 per share resulted in an addition to contributed surplus of $64,376 as a capital contribution (notes 12 and 13).

(iii) During the year ended December 31, 2020, the Corporation received a $40,000 line of credit under the government of Canada's Emergency Business Account (CEBA) loan program, bearing interest at 0%. The terms are as follows:

(1) On January 1, 2021, the line of credit will automatically convert to a two-year term loan bearing interest at 0%, to be repaid on December 31, 2022. There is the option to extend the loan by three years on December 31, 2022, and if this extension is utilized, the term loan will mature on December 31, 2025, at which time the balance must be repaid in full.

(2) The loan is interest-free until January 1, 2023. Commencing January 1, 2023, interest accrues on the outstanding balance at a rate of 5% per annum, payable monthly.

(3) If $30,000 of the balance of the loan is repaid in full on or before December 31, 2022, the remaining $10,000 balance of the term loan will be forgiven.

9. TERM LOANS (continued)

The loan was initially recorded at the fair value of $21,516. The $10,000 forgivable portion has been recorded as government assistance under other income within the statement of loss and comprehensive loss. The initial discount of $8,484 on recognition of the loan at fair value has been recorded as deferred revenue and the grant recognition and related accretion for the year ended December 31, 2020, has been included in government assistance and interest expense in profit and loss.

10. CONVERTIBLE NOTES

Changes in convertible notes during the year consists of:

	December 31, 2020 $	December 31, 2019 $
Convertible notes		
Opening balance	835,645	710,145
Modification of notes (i)	(5,062)	(25,305)
Additions (ii)	-	51,712
Accretion	27,445	30,280
Interest accrued	35,174	82,813
Conversion of notes (ii), (iii), (iv)	(781,178)	-
Interest paid	(17,026)	(14,000)
Total debt outstanding	**94,998**	**835,645**
Less: current portion	94,998	123,336
Long term portion	-	712,309

(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. 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. No other terms of the convertible debt agreements were amended. As a result of the extension, a gain on debt modification of $25,305 was realized.

During the year ended December 31, 2020, the Corporation extended the maturity date of the only outstanding convertible debt with a face value of $100,000 by one year. The extended convertible note now expires on December 11, 2021. The convertible note is secured by all assets, including the intellectual property, of the Corporation. As part of the issuance, the note holder was entitled to warrants which can be converted to common shares. The warrant expiry date was also extended one year. The warrants expire on December 1, 2022. In addition, the debtholder received 300,000 additional warrants. As a result of the extension, the Corporation recognized the addition of warrants (note 14(b)) and realized a loss on debt extinguishment of $7,773.

10. CONVERTIBLE NOTES (continued)

(ii) During the year ended December 31, 2019, the corporation issued one new convertible note for $240,000. The note bore interest at 12% annual interest with a maturity date of December 18, 2022. The note was 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 was to 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 was 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.

(iii) During the year ended December 31, 2020, the Corporation completed an equity financing transaction in excess of $900,000 and therefore triggered the automatic conversion option. At the date of the conversion, the derivative liability connected to the convertible note was adjusted to fair value, resulting in a $121,565 loss on valuation adjustment. The $240,000 convertible note plus $7,733 of accrued interest was then converted to 3,096,658 units at a rate of $0.08 per unit (note 12).

(iv) During the year ended December 31, 2020, in line with its equity financing, the Corporation offered holders of convertible notes, which were convertible at a rate of $0.15 per share, the ability to convert the notes at a reduced rate of $0.08 per unit, being the price at which units were being sold in the equity financing. Principal of $550,115 was converted to units, along with related interest of $135,740. This inducement to convert resulted in a $304,397 loss on inducement related to the difference between the $0.15 per share contractual conversion price and the actual conversion rate of $0.08 per unit (note 12).

(v) During the year ended December 31, 2020, convertible notes held by the President and CEO with a principal of $40,000 were settled in shares at a price of $0.15 per share, along with related interest of $16,583. This share settlement above market price of $0.067 per share resulted in an addition to contributed surplus of $31,189 (notes 12 and 13).

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, 2020 $	December 31, 2019 $
Loss before income taxes	**(1,495,994)**	**(667,002)**
Weighted average statutory income tax rate	**24.09%**	**26.45%**
Expected income tax recovery	**(360,339)**	**(176,450)**
Change in unrecognized deferred tax asset	**162,668**	**(176,234)**
Prior year adjustment to actual	**2,932**	**15,615**
Effect of change in tax rates	**5,992**	**298,835**
Stock-based compensation	**65,528**	**13,500**
Other	**123,219**	**24,734**
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.

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

	December 31, 2020	December 31, 2019 $
Non-capital losses	**2,320,810**	**2,156,779**
Property and equipment	**1,190**	**2,553**
Unrealized deferred tax asset	**(2,322,000)**	**(2,159,332)**
Deferred tax asset	**-**	**-**

As at December 31, 2020, the Corporation has Canadian non-capital loss carry forwards of approximately $8,183,000 (2019 – 7,534,000) and US non-capital loss carry forwards of approximately US $1,389,000 (2019 - US $1,313,000). The non-capital loss carry forwards expire at various dates from 2027 to 2040. The Corporation also has tax deductible balances of $4,110 (2019 - $11,100), 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, 2018	**47,804,490**	**24,405,501**
Issuance of shares for cash (i)	3,024,249	255,272
Conversion of term loans (ii)	1,280,000	108,906
Balance, December 31, 2019	**51,108,739**	**24,769,679**
Issuance of shares for cash (iii)	15,212,500	956,650
Issuance of shares on settlement of notes (iv)	12,794,786	1,160,587
Share issuance costs	-	(25,863)
Balance, December 31, 2020	**80,116,025**	**26,861,053**

(i) 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.

(ii) During the year ended December 31, 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 common share purchase warrant. The warrants have 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 were unsecured, bear interest at 6% per annum, and mature on July 1, 2021 and on demand respectively.

(iii) During the year ended December 31, 2020, the Corporation issued 15,212,500 units at $0.08 per unit. Each unit consists of one common share in the Corporation and one half common share purchase warrant. Each unit consists of one common share in the Corporation and one common share purchase warrant. The warrants have an exercise price of $0.12 per share. The warrants expire two years after issuance. The warrants were assigned a value of $195,751, less issuance costs, based on the relative fair value of the shares and warrants.

12. SHARE CAPITAL (continued)

(iv) During the year ended December 31, 2020, the Corporation issued 11,639,005 units at $0.08 per unit on conversion of convertible notes and interest totalling $931,120, which includes 6,876,438 units issued as part of an inducement to convert convertible debt. This inducement to convert resulted in a $304,397 loss on inducement and addition to share capital, related to the difference between the $0.15 per share contractual conversion price and the actual conversion rate of $0.08 per unit. Each unit consists of one common share in the Corporation and one half common share purchase warrant. Each unit consists of one common share in the Corporation and one common share purchase warrant. The warrants have an exercise price of $0.12 per share. The warrants expire two years after issuance. The warrants were assigned a value of $149,768, less issuance costs, based on the relative fair value of the shares and warrants. During the year ended December 31, 2020, the Corporation also issued 1,155,781 shares on settlement of convertible notes and notes payable owed to the President and CEO, at a price of $0.15 per share. This share settlement above market price of $0.067 per share resulted in an addition to contributed surplus, as a capital contribution.

(v) The weighted average number of common shares outstanding used to calculate basic and diluted loss per share is 73,771,196 for the year ended December 31, 2020 (2019 - 50,868,189). The Corporation excluded all convertible notes, stock options from the calculation of diluted income per share for the years ended December 31, 2020 and December 31, 2020, 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, 2018 and 2019	**3,180,746**
Stock-based compensation expense (note 14(a))	250,115
Capital contribution (notes 9 and 10)	95,565
Expired warrants (note 14(b))	14,923
Balance, December 31, 2020	**3,541,349**

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, 2018	**232,286**
Warrants issued with units and convertible notes	302,395
Equity issuance costs	50,943
Balance, December 31, 2019	**585,624**
Warrants issued with units for cash	183,457
Warrants issued with units on conversion of convertible notes	149,768
Expired warrants	(14,923)
Warrants issued as transaction costs	25,992
Share based compensation	22,919
Equity issuance costs	(4,723)
Balance, December 31, 2020	**948,114**

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, 2020 and December 31, 2019 are as follows:

	For the year ended December 31, 2020		**For the year ended December 31, 2019**	
	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	6,015,000	0.10	-	-
Options cancelled / forfeited	4,030,000	0.13	(150,000)	0.13
Outstanding at end of year	6,615,000	0.11	4,630,000	0.14
Exercisable at end of year	6,615,000	0.11	4,630,000	0.14

The weighted average remaining life of all options outstanding at December 31, 2020 is 3.36 years (2019 – 0.32 years).

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

The Corporation recorded stock-based compensation expense for options of $Nil (December 31, 2019 - $Nil) with an offsetting increase to contributed surplus in respect of the stock options granted to Directors.

During the year ended December 31, 2020, 6,015,000 share options were granted, with an exercise price of $0.10 per share and a term of four years. The value of these options was calculated using a Black-Scholes model with a weighted-average interest rate of 0.42%, a share price of $0.067 per share and an expected volatility of 100%, resulting in a value of $0.04 per option. These options vested immediately, resulting in stock based compensation expense of $250,115.

During the year ended December 31, 2020, 4,030,000 options expired unexercised.

No options were exercised during the years ended December 31, 2020 or December 31, 2019.

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

	Number of Warrants	Weighted average exercise price	Expiry Date
Outstanding at December 31, 2018	**12,232,482**	**0.20**	
Issued throughout 2019	4,304,249	0.20	Throughout 2022
Issued March 19, 2019 with convertible debt	750,000	0.20	March, 2022
Issued December 7, 2019 as finder's fee	2,400,000	0.20	December, 2023
Outstanding at December 31, 2019	**19,686,731**	**0.19**	
Issued via unit issuance (note 12)	7,606,250	0.12	March 2022
Issued via unit issuance via conversion of convertible notes (note 12)	5,819,503	0.12	March 2022
Issued as stock-based compensation (i)	500,000	0.10	June 2025
Issued as transaction fees	827,916	0.11	March 2022 and December 2024
Expired	(300,000)	0.13	April and October 2020
Outstanding at December 31, 2020	**34,140,400**	**0.16**	

	Number of Warrants	Weighted average remaining contractual life (years)	Weighted average exercise price $
Outstanding at December 31, 2020	**34,140,400**	**1.30**	**$0.16**

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

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, 2020	For the year ended December 31, 2019
Fair Value of warrants	$0.026	$0.04
Exercise Price	$0.12	$0.20
Share Price	$0.067	$0.08
Dividend Yield	-	-
Forfeiture %	-	-
Risk-free interest rate	0.63%	1.61%
Expected life of warrants	2.00 years	3.00 years
Expected volatility	100%	100%

(i) During the year ended December 31, 2020, the Corporation issued 500,000 (2019 – 750,000) common share purchase warrants to contractors in exchange for services. Each warrant has an exercise price $0.10 (2019 - $0.12) and expire three years (2019 – three years) from date of issuance. The warrants were assigned a value of $22,919 (2019 - $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, 2020.

15. FINANCE EXPENSE

	2020	2019
Interest on term loans	2,183	4,443
Interest on convertible notes	38,270	82,813
Accretion on convertible notes	27,445	30,280
Interest on lease liability	8,316	13,451
Other	7,441	10,755
	$ 83,655	**$ 141,742**

Finance expense includes non-cash interest of $2,183 (2019 - $4,443) on the term loan and non-cash interest and accretion of $60,720 (2019 - $99,093) 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, 2020 $	December 31, 2019 $
Wages and salaries	110,449	113,807
Stock-based compensation	101,826	30,419
Total	212,275	144,226

The Corporation incurred interest expense of $9,166 (2019 - $18,843) on term loans and convertible notes held by key management personnel during the year ended December 31, 2020. Key management personnel have accounts payable owing from the Corporation, including interest, payroll and vacation accruals, in the amount of $673,527 at December 31, 2020 (2019 - $536,277) and hold long-term debt and convertible notes payable from the Corporation totaling $10,400 at December 31, 2020 (2019 – $158,947). 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 $1,496,423 (2019 - $1,414,824) for the year ended December 31, 2020, 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, 2020 was $114,658 (2019 - $111,500) 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.

17. CAPITAL MANAGEMENT (continued)

The corporation's capital consists of:

	December 31, 2020 $	December 31, 2019 $
Convertible notes	94,998	835,645
Derivative liability	-	49,715
Common shares	26,861,053	24,769,679
Equity portion of convertible notes	6,074	35,690
Contributed surplus	3,541,349	3,180,746
Warrants	948,114	585,624
Accumulated other comprehensive income	(1,824,642)	(1,821,657)
Deficit	(30,813,880)	(29,317,886)
Total capital	(1,186,934)	(1,682,444)

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.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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, 2020, accounts receivable over 30 days old were $10,094 (2018 - $32,889). The Corporation did not record any bad debts during the years ended December 31, 2020 or 2019.

(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 $167,551 (2019 - $39,880). Additionally, as at December 31, 2020 the Corporation has negative net working capital position of $1,183,083 (2019 - $1,742,405). 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, 2020, the Corporation's exposure to currency risk is limited to cash denominated in US dollars in the amount of US $609 (2019 - $1,971), accounts receivable of US $37,269 (2019 – US $Nil), notes payable of US $Nil (2019 – US $NIL), accounts payable and accrued liabilities denominated in US dollars in the amount of US $15,933 (2019 - US $48,447). A 1% change in the exchange rate between the Canadian and US dollar would have a $219 (2019 - $319) impact on the net loss and cash flows of the Corporation.

18. 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, 2020, 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 negligible (2019 - $6,987) impact on the net loss and cash flows of the Corporation.

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2020, 600,000 stock options expired unexercised.