Consolidated Financial Statements of

WORLDPLAY COMMUNICATIONS INC.

And Independent Auditors' Report thereon

Years ended December 31, 2018, 2017, 2016 and 2015
(Expressed in $USD)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Worldplay Communications Inc.

Opinion

We have audited the consolidated financial statements of Worldplay Communications Inc. which comprise:

- the consolidated balance sheets as at December 31, 2018, 2017, 2016 and 2015;
- the consolidated statements of operations and deficit for each of the years in the four year period ended December 31, 2018;
- the consolidated statements of cash flows for each of the years in the four year period ended December 31, 2018;
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, 2017, 2016 and 2015 and its consolidated results of operations and its consolidated cash flows for each of the years in the four year period ended December 31, 2018, in accordance with Canadian accounting standards for private enterprises.

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 1 in the financial statements, which indicates that the Entity's has no history of generating positive cash flows from operations and has an accumulated deficit of $148,702,143 as at year ended December 31, 2018. The Entity's ability to continue as a going concern is dependent upon its ability to raise new capital, secure other forms of financing and achieve a commercial level of sales and profitable operations.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists leading to significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Alberta
September 4, 2019

WORLDPLAY COMMUNICATIONS INC.

Consolidated Balance Sheets

Years ended December 31, 2018, 2017, 2016 and 2015 with comparative information for 2014
(Expressed in $USD)

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Assets					
Current assets:					
Cash	$ 951,628	$ 233,351	$ 448,872	$ 387,603	$ 303,458
Accounts and taxes receivable	115,248	115,982	126,649	120,622	278,155
Prepaid expenses and deposits	19,015	21,749	22,306	27,309	25,392
	1,085,891	371,082	597,827	535,534	607,005
Property and equipment (note 3)	88,811	129,876	148,009	198,531	267,933
	$ 1,174,702	$ 500,958	$ 745,836	$ 734,065	$ 874,938
Liabilities and Shareholders' Equity (Deficiency)					
Current liabilities:					
Accounts payable and accrued liabilities	$ 244,593	$ 163,656	$ 211,358	$ 287,439	$ 250,090
Deferred revenue	5,249	5,489	24,278	23,556	190,005
Debenture payable (note 5)	–	–	74,477	223,988	267,218
Notes payable (note 4)	101,838	94,659	391,003	704,589	2,865,826
Contingent liability (note 13(a))	–	–	–	–	1,018,848
Current portion of lease inducement (note 6)	6,231	13,551	12,661	12,283	14,654
	357,911	277,355	713,777	1,251,855	4,606,641
Notes payable (note 4)	–	–	–	36,127	43,100
Lease inducement (note 6)	–	6,776	18,992	30,708	51,289
Equity to be issued (note 7)	553	358,709	–	1,445,050	267,065
Shareholders' equity (deficiency):					
Common shares (note 8)	117,174,166	117,174,166	117,174,166	117,174,166	118,995,221
Preferred shares (note 8)	11,775,497	7,713,630	4,786,625	–	–
Warrants (note 10)	4,015,749	3,600,619	3,596,619	3,594,519	4,230,800
Contributed surplus (note 11)	16,297,158	15,887,158	15,647,158	15,618,158	12,117,691
Cumulative translation adjustment	255,811	405,945	327,319	410,109	195,380
Deficit	(148,702,143)	(144,923,400)	(141,518,820)	(138,826,627)	(139,632,249)
	816,238	(141,882)	13,067	(2,029,675)	(4,093,157)
Future operations (note 1)					
Subsequent events (notes 4(j), 8(c), 8(d), 10(d))					
Commitments (note 12)					
Contingencies (note 13)					
	$ 1,174,702	$ 500,958	$ 745,836	$ 734,065	$ 874,938

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_________________ Director   _________________ Director

WORLDPLAY COMMUNICATIONS INC.

Consolidated Statements of Operations and Deficit

Years ended December 31, 2018, 2017, 2016 and 2015 with comparative information for 2014
(Expressed in $USD)

	2018	2017	2016	2015	2014
Sales:					
Platform and video services	$ 139,274	$ 129,266	$ 95,259	$ 268,715	$ 420,506
Cost of goods sold	(39,873)	(25,051)	–	–	–
	99,401	104,215	95,259	268,715	420,506
Expenses:					
General and administrative	994,540	1,109,179	999,741	872,159	1,002,881
Technology and product development	1,475,499	1,098,041	977,562	1,062,383	1,025,391
Business development and operations	507,583	831,541	705,067	595,604	211,444
Stock based compensation (notes 7 (a), 9, 10(a))	825,130	244,000	31,100	65,944	378,499
Foreign exchange loss (gain)	(8,366)	(45)	(58,162)	(149,271)	(254,067)
Interest expense	25,863	168,952	54,923	174,320	333,809
Interest income	(77)	(447)	–	(12)	(28)
Loss on sale of assets	1,386	747	6,981	5,974	(437)
Bad debts	9,157	4,780	9,041	42,055	–
Depreciation	47,429	52,047	61,199	81,056	87,962
	3,878,144	3,508,795	2,787,452	2,750,212	2,785,454
Net loss before other items	(3,778,743)	(3,404,580)	(2,692,193)	(2,481,497)	(2,364,948)
Other income (note 4(a)(b)(c)(f))	–	–	–	3,287,119	649,546
Net income (loss)	(3,778,743)	(3,404,580)	(2,692,193)	805,622	(1,715,402)
Deficit, beginning of period	144,923,400	141,518,820	138,826,627	139,632,249	137,916,847
Deficit, end of period	$ 148,702,143	$ 144,923,400	$ 141,518,820	$ 138,826,627	$ 139,632,249

See accompanying notes to consolidated financial statements.

WORLDPLAY COMMUNICATIONS INC.

Consolidated Statements of Cash Flow

Years ended December 31, 2018, 2017, 2016 and 2015 with comparative information for 2014
(Expressed in $USD)

	2018	2017	2016	2015	2014
Cash provided by (used in):					
Operations:					
Net loss	$ (3,778,743)	$ (3,404,580)	$ (2,692,193)	$ 805,622	$ (1,715,402)
Items not involving cash:					
Stock-based compensation expense	825,130	244,000	31,100	65,944	378,499
Shares issued for services	–	–	–	–	99,993
Conversion of interest payable into shares	–	–	–	–	303,222
Unrealized foreign exchange difference	(156,722)	100,532	(61,717)	(74,600)	(177,092)
Loss (gain) on sale of assets	1,386	747	6,981	10,314	(437)
Amortization of lease inducement	(13,116)	(13,097)	(12,824)	(13,294)	(7,694)
Forgiveness of debts	–	–	–	(2,209,238)	–
Write-off of note payable	–	–	–	(200,000)	–
Depreciation	47,429	52,047	61,199	81,056	87,962
	(3,074,636)	(3,020,351)	(2,667,454)	(1,534,196)	(1,030,949)
Net changes in non-cash operating working capital:					
Accounts receivable	734	10,667	(6,027)	157,533	(171,347)
Prepaid expenses and deposits	2,734	557	5,003	(1,917)	19,689
Accounts payable and accrued liabilities	80,937	(47,702)	(76,081)	37,349	(1,918,266)
Contingent liability	–	–	–	(1,018,848)	1,018,848
Deferred revenue	(240)	(18,789)	722	(166,449)	190,005
Continuing operations	(2,990,471)	(3,075,618)	(2,743,837)	(2,526,528)	(1,892,020)
Financing:					
Issuance of shares, net of issue costs	3,703,158	2,927,005	3,341,575	710,122	764,924
Shares to be issued	553	358,709	–	1,445,050	172,399
Advances of notes payable	524,653	–	575,186	2,358,096	1,234,704
Repayments of notes payable	–	(245,627)	(198,116)	(112,619)	(59,741)
Conversion of notes payable	(503,032)	(67,164)	(753,188)	(1,727,694)	–
Issuance of convertible debentures	–	2,192,492	–	–	–
Conversion of convertible debentures	–	(2,203,536)	(149,147)	–	–
Repayments of bridge debentures	–	(76,570)	–	–	–
Tennant inducement	–	–	–	–	79,685
	3,725,332	2,885,309	2,816,310	2,672,955	2,191,971
Investments:					
Acquisition of property and equipment	(16,584)	(25,212)	(11,493)	(63,893)	(120,523)
Proceeds on sale of equipment	–	–	289	1,611	12,534
	(16,584)	(25,212)	(11,204)	(62,282)	(107,989)
Increase (decrease) in cash	718,277	(215,521)	61,269	84,145	191,962
Cash, beginning of year	233,351	448,872	387,603	303,458	111,496
Cash, end of year	$ 951,628	$ 233,351	$ 448,872	$ 387,603	$ 303,458

See accompanying notes to consolidated financial statements.

Incorporation and basis of presentation:

Worldplay Communications Inc. (the "Corporation") was incorporated under the Business Corporations Act of Alberta on December 12, 2006. The principal business activities of the Corporation, through its various subsidiaries and affiliated corporations, has been the development and commercialization of video compression technologies. More recently the business has restructured to allow delivery of customized business solutions that power captivating online video experiences for its customers.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Worldplay USA Inc. ("Worldplay US"), Worldplay (Canada) Inc. ("WP Canada"), and Worldplay (Barbados) Inc. ("WP Barbados"). The accounts of WP Barbados include the accounts of its wholly-owned subsidiary Worldplay China Inc. ("WP China"). All inter-company transactions and balances have been eliminated.

These consolidated financial statements are presented in United States Dollars except as otherwise indicated for financing units issued in the periods.

1. **Future operations:**

   These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

   The Corporation has no history of generating positive cash flow from operations and has an accumulated deficit of $148,702,143 to December 31, 2018 (2017 - $144,923,400). These conditions raise significant doubt about its ability to continue as a going concern. The Corporation continues to build momentum to commercialize its video services and technology solutions to content owners. However, the Corporation remains fully dependent on the continuing support of its lenders and is pursuing sources of additional financing to leverage new customer opportunities presented to them.

   There can be no assurance as to the Corporation's ability to continue as a going concern. The application of the going concern concept is dependent upon the ability of the Corporation to raise new capital, or to secure other forms of financing, and its ability to achieve a commercial level of sales and profitable operations. These consolidated financial statements do not include any adjustments that might result should the going concern basis of accounting be inappropriate.

2. Significant accounting policies:

These consolidated financial statements are prepared in accordance with Canadian accounting standards for private enterprises. The Corporation's significant accounting policies are as follows:

(a) Property and equipment:

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the following methods and annual rates:

Assets	Basis	Rate
Computer equipment	Declining balance	30-50%
Furniture and equipment	Declining balance	20%
Vehicles	Declining balance	30%
Leasehold improvements	Straight line	5 years

(b) Impairment of long-lived assets:

Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(c) Leases:

A lease that transfers substantially all the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

(d) Revenue recognition:

The Corporation recognizes revenue as services are performed. Revenue is recognized only when the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Amounts collected in advance of services provided are recorded as deferred revenue.

2. Significant accounting policies (continued):

(e) Intangible assets:

Research activities are expensed as incurred. Development activities are recognized as an asset provided they meet the capitalization criteria, which include the Corporation's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; the Corporation's intention to complete the asset for use or for sale; the Corporation's ability to use or sell the asset; the adequacy of the Corporation's resources to complete the development; the Corporation's ability to measure reliably the expenditures during the development; and the Corporation's ability to demonstrate that the asset will generate future economic benefits. The assets are amortized on a straight line basis over their useful lives unless the life is determined to be indefinite.

(f) Government assistance:

Government assistance is recorded as either a reduction in the cost of the applicable assets or as a credit in the statement of earnings as determined by the terms and conditions of the agreement under which the assistance is provided to the Corporation or the nature of the expenditures which give rise to the credit. Government assistance is recorded when the receipt is reasonably assured.

(g) Stock-based compensation:

The Corporation has issued stock-based compensation awards. The Corporation uses the fair value method of accounting for all stock-based compensation. Under this method, all stock options and warrants awarded are measured and recognized based on the fair value of the equity instrument issued. Compensation expense is recognized over the period related to the service, usually the vesting period of the equity instrument awarded, and an equal amount is recorded as contributed surplus. Upon exercise of stock options, the amount of compensation expense previously recorded in contributed surplus is moved to share capital.

(h) Income taxes:

The Corporation uses the future income taxes method of accounting for income taxes under which future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities as a result of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. When it is not more likely than not, that the future tax asset will be realized, a valuation allowance is provided.

2. Significant accounting policies (continued):

(i) Foreign currency translation:

Foreign transactions of the parent company

The Corporation's functional currency is US dollars. Monetary items denominated in a foreign currency and non-monetary items carried at market are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at average rates of exchange during the year. Exchange gains and losses are included in the determination of net income for the period.

Foreign operations

Financial statements of self-sustaining foreign operations are translated as follows: assets and liabilities at the exchange rate at the balance sheet date and, revenue and expense at the average rates of exchange in effect for the period. Exchange gains and losses are included in the cumulative translation account in shareholders' equity.

(j) Use of estimates:

The preparation of financial statements in conformity with accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of expenses during the reported period. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to the useful lives of property and equipment for depreciation purposes and evaluation of their net recoverable amount, the determination of the valuation allowance relating to future income tax assets and the fair values to ascribe to the share transactions. Consequently, actual results could differ from those estimates.

(k) Financial instruments:

(i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other transaction costs are recognized in net income in the period incurred.

When the Corporation issues a financial instrument that contains both a liability and an equity element, it measures the equity component as zero and allocates the entire proceeds to the liability component.

2. Significant accounting policies (continued):

(k) Financial instruments (continued):

(ii) Subsequent to initial recognition:

Investments in equity instruments that are quoted in an active market and free standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in net income in the period incurred. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. Other financial instruments are measured at amortized cost.

(iii) Impairment:

At year-end, the Corporation assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Corporation determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset. When there has been a significant adverse change, the carrying value of the asset is reduced to the highest of:

(i) The present value of expected cash flows

(ii) The amount that could be realized by selling the asset, and

(iii) The amount that could be realized by exercising its right to any collateral held as security

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed.

3. Property and equipment:

December 31, 2018	Cost	Accumulated depreciation	Net book value
Computer equipment	$ 637,477	$ 576,107	$ 61,370
Furniture and equipment	124,407	105,547	18,860
Leasehold improvements	83,734	75,153	8,581
	$ 845,618	$ 756,807	$ 88,811

December 31, 2017	Cost	Accumulated depreciation	Net book value
Computer equipment	$ 676,616	$ 602,258	$ 74,358
Furniture and equipment	209,822	182,980	26,842
Leasehold improvements	91,056	62,380	28,676
	$ 977,494	$ 847,618	$ 129,876

December 31, 2016	Cost	Accumulated depreciation	Net book value
Computer equipment	$ 614,859	$ 542,853	$ 72,006
Furniture and equipment	196,039	164,691	31,348
Leasehold improvements	85,075	40,420	44,655
	$ 895,973	$ 747,964	$ 148,009

December 31, 2015	Cost	Accumulated depreciation	Net book value
Computer equipment	$ 629,370	$ 531,590	$ 97,780
Furniture and equipment	202,511	162,191	40,320
Leasehold improvements	82,322	21,891	60,431
	$ 914,203	$ 715,672	$ 198,531

December 31, 2014	Cost	Accumulated depreciation	Net book value
Computer equipment	$ 777,534	$ 634,693	$ 142,841
Furniture and equipment	240,557	182,381	58,176
Leasehold improvements	72,806	5,890	66,916
	$ 1,090,897	$ 822,964	$ 267,933

4. Notes payable:

	2018	2017	2016	2015	2014
Demand note (a)	$ –	$ –	$ –	$ –	$ 200,000
Note payable (b)	–	–	–	–	1,284,303
Bridge note 1 (c)	–	–	–	–	775,795
Bridge note 2 (d)	–	–	–	67,197	80,166
Bridge note 3 (e)	–	–	27,929	63,223	53,875
Bridge note 4 (f)	–	–	–	–	471,687
Bridge note 5 (g)	–	–	–	100,000	–
Bridge note 6 (h)	–	–	–	158,056	–
Bridge note 7 (i)	–	–	237,395	230,311	–
Bridge note 8 (j)	101,838	94,659	88,441	85,802	–
Bridge note 9 (k)	–	–	37,238	–	–
Equipment loan (l)	–	–	–	36,127	43,100
	101,838	94,659	391,003	740,716	2,908,926
Less current portion of notes payable	101,838	94,659	391,003	704,589	2,865,826
Long term portion of notes payable	$ –	$ –	$ –	$ 36,127	$ 43,100

(a) A third party demand note to settle $200,000 in accounts payable. The interest free note is unsecured and was previously due on October 15, 2011. The note is currently in dispute and accordingly, the Corporation has not made payment. As a result the Corporation is in default of the agreement. The note is due on demand. In 2015, as a result of the additional passage of time and the Corporation's position not to repay the disputed note, $200.000 has been reduced from liabilities and shown as other income in the statement of operations and deficit.

(b) This note payable is with a company controlled by a shareholder and bears interest at 12% compounded monthly beginning January 1, 2014 and was due on June 30, 2015. As security for the note, the Corporation charges in favor of the lender a subordinated first fixed charge security interest in all of the Corporation's present and after acquired property. The lender had agreed to postpone and subordinate in favor of bridge notes 1, 2 and 3 and the bridge debentures (note 5). As part of the restructuring of operations, in June 2015 the lender agreed to forgive the outstanding note payable and unpaid accrued interest. As a result, $1,208,664 has been reduced from liabilities and shown as other income in the statement of operations and deficit for the year ended December 31, 2015.

(c) Bridge Note 1 with a company controlled by a shareholder to advance working capital funds to a limit of $775,795 ($900,000 CDN) on an as-needed basis. Beginning January 1, 2014 the note bears interest at 12% and is secured by a ranked first charge security interest in all of the Corporation's present and after acquired property. The note became due on December 31, 2014. The Corporation was required to meet certain sales thresholds under the terms of the facility agreement.

4. Notes payable (continued):

Those sales thresholds were not met in 2014 and as a result the Corporation was in default of the agreement. The Lender then agreed to extend the original maturity date to June 30, 2015. As part of the restructuring of operations, in June 2015 the lender agreed to forgive all outstanding bridge debt and unpaid accrued interest. As result, $730,105 has been reduced from liabilities and shown as other income in the statement of operations and deficit

(d) Bridge Note 2 with a former director of the Corporation to advance working capital funds on an as-needed basis. The Bridge Note was previously unsecured bearing interest at 3.0% per annum compounded annually and due on demand. Beginning January 1, 2014 the note bore interest at 12% and is secured by a ranked first charge security interest in all of the Corporation's present and after acquired property. During fiscal 2016, the note holder elected to convert the outstanding balance into equity.

(e) Bridge Note 3 with a spouse of an officer of the Corporation to advance working capital funds on an as-needed basis. Bridge Note 3 was previously unsecured, interest free and due on demand. Beginning January 1, 2014 the note bore interest at 12% and was secured by a ranked first charge security interest in all of the Corporation's present and after acquired property. During fiscal 2016 and 2017, the note holder elected to convert the outstanding balance into equity.

(f) Bridge Note 4 with key shareholders and a former director of the Corporation to advance working capital funds on an as-needed basis. Bridge Note 4 is unsecured, interest free and due on demand. As part of the restructuring of operations, in June 2015 certain lenders agreed to forgive outstanding bridge debt and unpaid accrued interest in total of $224,073 which has been reduced from liabilities and shown as other income it the statement of operations and deficit. In addition, $170,521 was converted into equity pursuant to an executed subscription agreement to purchase CDN $0.05 preferred shares. A previous balance of $46,396 was repaid prior to the restructuring.

(g) Bridge Note 5 with an investor who advanced working capital funds in fiscal 2015. The advance was unsecured, interest free and due on demand. Pursuant to an executed subscription agreement to purchase CDN $0.05 preferred shares in fiscal 2016, the investor instructed the Corporation that the advances be directed to the Corporation as consideration for the preferred shares issued under the subscription agreements.

(h) Bridge Note 6 with shareholders who advanced working capital funds in fiscal 2015. The advances were unsecured bearing interest at 8% and due on demand. Pursuant to executed subscription agreements to purchase CDN $0.05 preferred shares in fiscal 2016, the investors instructed the Corporation that the advances be directed to the Corporation as consideration for the preferred shares issued under the subscription agreements.

4. Notes payable (continued):

(i) Bridge Note 7 with shareholders who advanced working capital funds in fiscal 2015. Effective June 30, 2015, the note holders entered into secured loan agreements with the Corporation bearing interest at 8% per annum. As security for the note, the Corporation charges in favor of the lender a subordinated first fixed charge security interest in all of the Corporation's present and after acquired property. The lender had agreed to postpone and subordinate in favor of bridge notes 2, 3, and the bridge debentures (note 5). During fiscal 2017, the loans were repaid in full.

(j) Bridge Note 8 with a shareholder who advanced working capital funds in fiscal 2015. The advances were previously unsecured with no set terms for interest or maturity. In September 2018, the note holder entered into a secured loan agreement with the Corporation to paper the loan including both principal and accrued interest up to February 28, 2018. The loan bears interest at 8% per annum, is secured by a first charge security interest in all of the Corporation's present and after acquired property and matures June 30, 2019. On May 17, 2019 the Corporation repaid the note in full.

(k) Bridge Note 9 with a shareholder who advanced $74,705 ($100,000CDN) in working capital funds during fiscal 2016. The loan is non-interest bearing and matured on November 30, 2016. As consideration for providing the loan, the Corporation agreed to issue one million (1,000,000) Warrants to acquire preferred shares ("Shares") in the capital of the Corporation at an exercise price of CDN $0.01 per share for a period expiring October 25, 2021. As security for the note, the Corporation charges in favor of the lender a subordinated first fixed charge security interest in all of the Corporation's present and after acquired property. The lender has agreed to postpone and subordinate in favor of bridge notes 3, 7 and 8, and the bridge debentures (note 5). Pursuant to executed subscription agreements for CDN $0.01 Units in fiscal 2016 of $37,487 ($50,000 CDN) and 2017 of $38,188 ($50,000 CDN), the note holder has instructed the Corporation that the indebtedness funds due to the note holder be directed to the Corporation as consideration for the Units issued under the subscription agreements. The transactions have resulted in a total recorded foreign exchange loss of $970.

(l) Equipment Loan to advance funds for the development of the Corporation's video production facility. The loan is non-interest bearing and matures on December 16, 2016. The Corporation pays a royalty fee equal to 10% of the monthly Video Production Service Revenue earned in the month. The loan can be repaid at any time without notice for total consideration of $51,595 ($60,000 CDN) along with accrued royalty payments. The loan is secured by a first charge on the video production equipment acquired with the loan proceeds. In fiscal 2016, pursuant to an executed subscription agreement to purchase CDN $0.05 preferred shares, the lender instructed the Corporation to direct the outstanding indebtedness funds back to the Corporation as consideration for the preferred shares issued under the subscription agreement.

5. Bridge debenture payable:

On November 12, 2013, the Corporation issued a series of Convertible Debentures (the “Bridge Debenture”) for $291,463 ($310,000 CDN) with arm’s length individuals (the “Bridge Subscribers”). The Bridge Debenture was interest bearing at 12% per annum, secured by a ranked first charge security interest in all of the Corporation’s present and after acquired property pursuant to two amending agreements and matured December 31, 2015 (previously May 31, 2015 and November 30, 2014). At the option of the Bridge Subscribers, the entire, or any portion thereof of the Bridge Debenture were convertible into common shares of the Corporation at a conversion price of CDN $0.50 per share.

The Bridge Debenture was a financial instrument comprising an equity component, being the Bridge Subscribers’ option to convert, and a liability component. The fair value of the equity component has been set to zero with the entire proceeds being allocated to the liability component in accordance with the Corporation’s accounting policy.

As the Bridge Debentures matured on December 31, 2015, the Corporation was unable to repay the debentures and, as a result, the Corporation was in default of the agreements and the debentures became due on demand. In fiscal 2016, pursuant to executed subscription agreements to purchase CDN $0.05 preferred shares, certain debenture holders instructed the Corporation to direct $149,147 ($210,000 CDN) of outstanding indebtedness funds back to the Corporation as consideration for preferred shares issued under the subscription agreement. On June 30, 2017, the remaining $76,570 ($100,000 CDN) of debentures were repaid in full. The transactions resulted in a total foreign exchange gain of $494.

6. Lease Inducement:

During 2014, the Corporation was granted certain tenant inducements relative to its head office leased premises. These inducements have been recorded as an inducement liability and are being amortized through rent expense over the life of the lease.

7. Equity to be issued:

	Number of Common Shares	Number of Preferred Shares	Amount
December 31, 2014	945,000	–	$ 267,065
Issued	(945,000)	–	(267,065)
CDN $0.05 preferred shares (note 7(a))	–	40,485,981	1,445,050
Balance, December 31, 2015	–	40,485,981	1,445,050
Issued	–	(40,485,981)	(1,445,050)
Balance, December 31, 2016	–	–	–
CDN $1.50 Units preferred shares (note 7(b))	–	300,000	358,709
Balance, December 31, 2017	–	300,000	358,709
Issued	–	(300,000)	(358,709)
CDN $1.00 Unit warrants exercised (note 7(c))	–	500	553
Balance, December 31, 2018	–	500	$ 553

(a) During 2015, the Corporation entered into subscription agreements with various arm's length subscribers (the "Subscribers") to acquire Series 1, Preferred Shares ("preferred shares") at CDN $0.05 per preferred share.

(b) During 2017, the Corporation entered into subscription agreements with various arm's length Subscribers to acquire CDN $1.50 preferred share units (the "Unit") with each unit comprising of one preferred share and one half of a preferred share purchase warrant (a "Preferred Warrant") with each whole Preferred Warrant entitling the holder to acquire a preferred share of the Corporation expiring November 30, 2019.

(c) During 2018, a warrant holder exercised 500 Preferred Warrants at CDN $1.50 per Preferred Warrant.

8. Share capital:

(a) Authorized:

An unlimited number of common shares without par value and an unlimited amount of preferred shares, issuable in series.

(b) Common and preferred shares issued and outstanding:

	Common Shares		Preferred Shares	
	Number	Amount	Number	Amount
December 31, 2014	177,542,531	$118,995,221	–	$ –
Issued:				
Commons shares from equity				
to be issued (note 7)	945,000	267,065	–	–
Employee shares for services (note 8(f))	175,000	47,777		–
Executive warrants exercised	500,000	86,000	–	–
CDN $0.50 Units for cash (note 8(c))	1,806,000	710,122	–	–
Return to treasury (note 8(g))	(4,175,234)	(2,932,019)	–	–
December 31, 2015	176,793,297	117,174,166	–	–
Issued:				
Preferred shares from equity				
to be issued (note 7 and 8(d))	–	–	40,485,981	1,445,050
CDN $0.05 Preferred shares for cash (note 8(d))	–	–	63,261,981	2,387,566
CDN $0.01 Units for cash (note 8(c))	–	–	138,200,000	1,042,139
Share issue costs	–	–	–	(88,130)
December 31, 2016	176,793,297	117,174,166	241,947,962	4,786,625
Issued:				
CDN $0.01 Units for cash (note 8(c))	–	–	103,110,000	784,442
Share consolidation (note 8(h))	(175,025,348)	–	(341,607,383)	–
CDN $1.50 Units for cash (note 8(c))	–	–	1,844,114	2,146,067
Share issue costs	–	–	–	(3,504)
December 31, 2017	1,767,949	117,174,166	5,294,693	7,713,630
Issued:				
Preferred shares from equity				
to be issued (note 7)	–	–	300,000	358,709
Unit preferred shares for cash (note 8(c))	–	–	3,291,255	3,797,663
Share issue costs	–	–	–	(94,505)
December 31, 2018	1,767,949	117,174,166	8,885,948	$ 11,775,497

8. Share capital (continued):

(c) Units issued:

During 2015, 2016, 2017 and 2018, the Corporation entered into subscription agreements with various arm's length subscribers (the "Subscribers") as follows:

CDN Units	Shares per Unit	Warrants per Unit	CDN Exercise price per Full Warrant
$0.50 Units	One common share	Share purchase warrant #1	$ 1.50
		Share purchase warrant #2	$ 3.00
$0.01 Units	One preferred share	Half share purchase warrant	$ 0.15
$1.50 Units	One preferred share	Half share purchase warrant	$ 2.00

Each CDN Common Share Unit (the "Common Share Unit") comprises one common share and two common share purchase warrants (a "Common Warrant") with each Common Warrant entitling the holder to acquire a common share of the Corporation expiring two years and three years from the date of issue, respectively.

Each CDN Preferred Share Unit (the "Preferred Share Unit") comprises one preferred share and one half of a preferred share purchase warrant (a "Preferred Warrant") with each whole Preferred Warrant entitling the holder to acquire a preferred share of the Corporation. The CDN $0.01 ($1.00 post consolidation) Preferred Share Unit Warrants expire March 31, 2019 and the CDN $1.50 Preferred Share Unit Warrants expire November 30, 2019.

The Common Share and Preferred Share Units comprise the issuance of common and preferred shares and Common and Preferred Unit Warrants which have been recorded at fair valued on issuance. The fair value of the warrants was calculated using the Black-Scholes pricing model and determined to be CDN $nil, as a result, no value was ascribed to the Unit warrants.

Subsequent to December 31, 2018 and after taking effect for the 2017 share consolidation, a total of 238,750 Preferred Warrants were exercised at CDN $1.50 per warrant for total consideration of $267,000 ($358,125 CDN).

(d) Series 1, Preferred Shares:

During 2015 and 2016, the Corporation entered into subscription agreements with various arm's length subscribers (the "Subscribers") to acquire Series 1 Preferred Shares ("preferred shares") at CDN $0.05 per preferred share.

Subsequent to December 31, 2018 the Corporation entered into subscription agreements with various arm's length subscribers (the "Subscribers") to acquire 1,699,566 preferred shares ("preferred shares") at CDN $2.00 per preferred share. In addition, 7,400 employee share grants for preferred shares were awarded to employees for the achievement of business milestones.

8. Share capital (continued):

(e) Finders Fees:

During 2016 and 2018, the Corporation entered into agreements (the "Finder Fee Agreements") with certain third parties (the "Finders") to assist with the placement of its subscriptions for the CDN $0.05 private placement, and the CDN $1.50 Units. The agreements provide for compensation payable to Finders in cash and securities of the Corporation, the securities comprising of preferred shares of the Corporation. In 2016 and 2018 the Corporation incurred:

i. Finder Fees - Cash

During 2016, the Corporation incurred Finders fees to a third party of $53,010 in cash included in share issue costs.

ii. Finder Fees - Shares

The preferred shares issued to Finders for no consideration received are summarized as follows:

	Number of shares		Amount
CDN $0.05 preferred shares 2016	150,000	$	5,725
CDN $0.01 preferred share units 2016 and 2017	–		–
CDN $1.50 preferred share units 2018	81,026	$	91,376

The fair value of each preferred share issued and issuable to the Finders is determined related to the market value of the shares on the date earned and are included in share issue costs in the amount of $91,376 (2017 - $nil, 2016 - $5,725).

Subsequent to December 31, 2018, 30,000 preferred shares were issued to Finders related to the issuance of CDN $2.00 Preferred Shares.

(f) During 2015, 175,000 of the 275,000 unvested employee common share grants from fiscal 2014 became fully vested and were issued to employees as recognition for long standing services, delivery of the new business plan and as incentive for staff. The remaining 100,000 employee common share grants expired in 2015.

(g) During 2015, the Corporation was advised that certain shareholders of the Corporation were involved in a private dispute with former founders and key executives of the Corporation. As a result of the dispute, certain of these shareholders directed the Corporation to cancel and return to treasury up to 4,175,234 common shares. As are result, the Corporation cancelled the common shares and reclassified $2,932,019 of average historical common share cost from share capital to contributed surplus, accordingly.

8. Share capital (continued):

(h) On August 31, 2017, the Corporation held a Special Meeting of Shareholders whereby shareholders passed a special resolution to authorize the directors to effect a consolidation of all issued and outstanding Common Shares and Series 1 Preferred Shares of the Corporation on a 1 for 100 basis. On October 12, 2017, the Board of Directors approved to effect the share consolidation with the Corporation pushing out electronic, book-based, direct registration in place of physical share certificates.

9. Stock options:

Stock options were issued to certain officers, employees and consultants of the Corporation and were not issued under any formal stock option plan, but were granted under individual stock option agreements between the Corporation and the respective grantees. The following is a schedule of the Corporation's stock options outstanding at December 31, 2018:

	Common Shares			Preferred Shares		
	Number		Weighted CDN Average Exercise Price	Number		Weighted CDN Average Exercise Price
December 31, 2014	1,275,000	$	3.00	–		–
Issued	4,587,655		0.05	–		–
Expired	(25,000)		3.00	–		–
December 31, 2015	5,837,655	$	0.68	–	$	–
Modified	(4,587,655)		0.05	4,587,655		0.05
Expired	(1,250,000)		3.00	–		–
December 31, 2016	–	$	–	4,587,655	$	0.05
Expired modified	–		–	(4,587,655)		0.05
Issued	–		–	1,191,153		1.20
Expired	–		–	(29,745)		1.00
December 31, 2017	–	$	–	1,161,408	$	1.17
Issued	–		–	877,500		1.50
Expired	–		–	(51,394)		1.00
Expired	–		–	(33,000)		1.50
December 31, 2018	–	$	–	1,954,514	$	1.32

The options vest over time up to and including December 31, 2020.

In 2016, the Corporation recognized that existing outstanding options did not adequately provide the desired incentive to its employees and consultants engaged with the Corporation. Accordingly, the Corporation invited those individuals to surrender their options in exchange for modified options priced in accordance with equity issuance underway at that time.

9. Stock options (continued):

The following is a schedule of unexercised common share stock options:

December 31, 2015	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number outstanding at December 31, 2015	Weighted average remaining contractual life (years)	Weighted average exercise price CDN	Number exercisable at December 31, 2015	Weighted average exercise price CDN
CDN $0.05 to $3.00	5,837,655	4.13	$ 0.68	2,779,218	$ 1.38

Stock-based compensation for the year related to common share options was $nil (2017 - $29,000, 2016 - $29,000, 2015 - $29,000, 2014 - $nil) related to employee stock options.

The following is a schedule of unexercised preferred share stock options:

December 31, 2018	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number outstanding at December 31, 2018	Weighted average remaining contractual life (years)	Weighted average exercise price CDN	Number exercisable at December 31, 2018	Weighted average exercise price CDN
CDN $1.00 to $1.50	1,954,014	9.13	$ 1.32	1,012,009	$ 1.27

December 31, 2017	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Weighted Number outstanding at December 31, 2017	average remaining contractual life (years)	Weighted average exercise price CDN	Number exercisable at December 31, 2017	Weighted average exercise price CDN
CDN $1.00 to $1.50	1,161,408	9.50	$ 1.17	387,136	$ 1.17

December 31, 2016	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number outstanding at December 31, 2016	Weighted average remaining contractual life (years)	Weighted average exercise price CDN	Number exercisable at December 31, 2016	Weighted average exercise price CDN
CDN $0.05 to $0.05	4,587,655	4.17	$ 0.05	3,058,437	$ 0.05

Stock-based compensation for the year related to preferred share options was $410,000 (2017 - $211,000, 2016 - $nil, 2015 - $nil, 2014 - $nil,) related to employee stock options.

10. Warrants:

	Number of Warrants		
	Common Shares	Preferred Shares	Amount
Balance, December 31, 2014	16,931,119	–	$ 4,230,800
CDN $0.50 Unit warrants issued (note 8(c))	4,412,000	–	–
Executive warrants exercised	(500,000)	–	(86,000)
Executive warrants issued (note 10(a))	500,000	–	15,000
Executive warrants expired	(4,000,000)	–	(468,155)
Founder warrants expired	(1,000,000)	–	(72,461)
Financing warrants expired	(200,000)	–	(24,665)
Balance, December 31, 2015	16,143,119	–	$ 3,594,519
CDN $0.50 Unit warrants expired	(3,420,000)	–	–
CDN $0.01 Unit warrants issued (note 8(c))	–	69,100,000	–
Executive warrants exchanged (note 10(a))	(500,000)	500,000	–
Executive warrants issued (note 10(a))	–	700,000	2,100
Financing warrants issued (note 10(b))	–	5,200,000	–
Balance, December 31, 2016	12,223,119	75,500,000	$ 3,596,619
CDN $0.50 Unit warrants expired	(5,626,000)	–	–
CDN $0.01 Unit warrants issued (note 8(c))	–	51,555,000	–
Share consolidation (note 8)	(6,531,148)	(125,784,450)	–
CDN $1.50 Unit warrants issued (note 8(c))	–	1,044,142	–
Executive warrants issued (note 10(a))	–	5,000	4,000
Balance, December 31, 2017	65,971	2,319,692	$ 3,600,619
CDN $0.50 Unit warrants expired	(22,060)	–	–
CDN $1.50 Unit warrants issued (note 8(c))	–	1,621,781	–
Executive warrants issued (note 10(a))	–	370,000	415,130
Balance, December 31, 2018	43,911	4,311,473	$ 4,015,749

(a) As part of the Corporation's compensation of its key executives, the Corporation granted the following warrants:

	2018	2017	2016	2015
Preferred Share Purchase warrants	370,000	5,000	700,000	–
Vesting period	immediate	immediate	immediate	
Expiry	Nov.23, 2023	Oct.12, 2022	Jul.6, 2021	
Common Share Purchase warrants	–	–	–	500,000
Vesting period				immediate
Expiry				Aug.1, 2020

10. Warrants (continued):

(a) On July 6, 2016 the board of directors approved to amend the 2015 award for 500,000 common share purchase warrants becoming exercisable in preferred shares of the Corporation. Accordingly, each outstanding warrant entitles the holder to acquire a preferred share of the Corporation for no additional consideration, accordingly.

The warrants were fair valued on recognition using the Black-Scholes pricing model. The following assumptions were used to determine the value of the Executive Warrants:

	2018	2017	2016	2015
Fair value per warrant	$ 1.15	$ 0.79	$ 0.03	$ 0.03
Total fair value	$ 415,130	$ 4,000	$ 2,100	$ 15,000
Risk free interest rate	2.22%	1.69%	0.52%	0.51%
Expected life	5 years	5 years	5 years	5 years
Maximum life	5 years	5 years	5 years	5 years
Expected dividend	$nil	$nil	$nil	$nil
Expected price volatility	50%	50%	50%	60%

(b) In efforts to provide short term working capital to the business, the Corporation entered into 2016 Bridge Loan Agreements ("Bridge Loans") with lenders. As consideration for providing the Bridge Loans, the Corporation agreed to provide preferred share purchase warrants to the lenders. As a result, the Corporation issued 5,200,000 preferred share purchase warrants to the lenders at an exercise price of CDN $0.01 per share. The warrants vest immediately and expire in November 2021.

(c) The following is a schedule of the unexercised preferred share warrants as at December 31, 2018:

	Dec. 31, 2018		Dec 31, 2017		Dec. 31, 2016	
Exercise price	Number Outstanding	Weighted Average Remaining life (years)	Number Outstanding	Weighted Average Remaining life (years)	Number Outstanding	Weighted Average Remaining life (years)
$NIL CDN	387,000	4.69	41,500	3.74	3,650,000	4.60
$0.01 CDN	–	–	–	–	2,750,000	4.83
$0.015 CDN	–	–	–	–	69,100,000	1.25
$1.00 CDN	52,000	2.83	27,500	3.83	–	–
$1.50 CDN	1,206,550	.25	1,206,550	1.25	–	–
$2.00 CDN	2,665,923	.92	1,044,142	1.92	–	–
	4,311,473		2,319,692		75,500,000	

The weighted average exercise price of the outstanding warrants at December 31, 2018 was $1.67 CDN (2017 - $1.69 CDN, 2016 - $0.01 CDN).

10. Warrants (continued):

(c) During 2018, 1,206,550 preferred share purchase warrants ("warrants") with an exercise price of CDN $1.50 were set to expire. The Corporation approved the extension of the expiry date of the CDN $1.50 warrants by three months to March 31, 2019. In addition, 2,665,923 warrants with an exercise price of CDN $2.00 were set to expire on June 30, 2019. Subsequent to December 31, 2018 the Corporation approved the extension of the expiry date of the CDN $2.00 warrants by five months to November 30, 2019 to coincide with an open financing at the time.

(d) The following is a schedule of the unexercised common share warrants as at December 31, 2018:

	Dec 31, 2016		Dec 31, 2015		Dec 31, 2014	
Exercise price	Number Outstanding	Weighted Average Remaining life (years)	Number Outstanding	Weighted Average Remaining life (years)	Number Outstanding	Weighted Average Remaining life (years)
$NIL CDN	4,391,119	2.25	4,891,119	3.38	4,891,119	4.25
$0.30 CDN	–	–	–	–	1,000,000	1.00
$0.50 CDN	–	–	–	–	200,000	0.17
$1.00 CDN	–	–	–	–	4,000,000	0.25
$1.50 CDN	2,206,000	0.19	5,626,000	.96	3,420,000	1.81
$3.00 CDN	5,626,000	0.96	5,626,000	1.96	3,420,000	2.81
	12,223,119		16,143,119		16,931,119	

	Dec. 31, 2018		Dec 31, 2017	
Exercise price	Number Outstanding	Weighted Average Remaining life (years)	Number Outstanding	Weighted Average Remaining life (years)
$NIL CDN	43,911	.25	43,911	1.25
$3.00 CDN	–	–	22,060	0.19
	43,911		65,971	

The weighted average exercise price of the outstanding common share warrants at December 31, 2018 was $nil CDN (2017 - $1.00 CDN, 2016 - $1.65 CDN, 2015 - $1.57 CDN, 2014 - $1.17 CDN,).

Subsequent to December 31, 2018 a total of 10,000 cashless common share warrants were exercised and 33,911 cashless common share warrants expired.

11. Contributed surplus:

Balance, December 31, 2014	$ 12,117,691
Stock-based compensation expense (note 9)	50,945
Employee stock grants issued (note 8f)	(47,778)
Executive warrants expired (note 10)	540,616
Financing warrants expired (note 10)	24,665
Return to treasury (note 8g)	2,932,019
Balance, December 31, 2015	15,618,158
Stock-based compensation expense (note 9)	29,000
Balance, December 31, 2016	15,647,158
Stock-based compensation expense (note 9)	240,000
Balance, December 31, 2017	15,887,158
Stock-based compensation expense (note 9)	410,000
Balance, December 31, 2018	$ 16,297,158

12. Commitments:

Minimum future annual commitments in respect of operating leases for office premises and equipment rent, are as follows:

2019	$ 107,961
2020	55,417
2021	479
2022	–
2023	–
Thereafter	–

13. Contingencies:

(a) In 2011, the Corporation contracted with a third party on the provision of certain services. The Corporation has always disputed the charges for these contracted services, however, $924,277 (2014 - $1,018,848) had been recorded as a payable, including accrued interest. While the Corporation had previously recognized an expense and related liability associated with those services, it had disputed whether it had received such services in a manner consistent with the agreed upon contractual arrangements.

13. Contingencies (continued):

(a) In 2015, as a result of the additional passage of time and the Corporation's position as to the suppliers' failure to deliver the related services, $924,277 has been reduced from liabilities and shown as other income in the statement of operations and deficit.

(b) In previous years, the Corporation had contracted with a party to provide strategic advice on, strategic relationships with telecommunications, media and content providers, amongst other services. While the Corporation had previously recognized a related note payable liability associated with those services, it had disputed whether it had received such services in a manner consistent with the agreed upon contractual arrangements. In 2015, as a result of the additional passage of time and the Corporation's position as to the suppliers' failure to deliver the related services, $200,000 has been reduced from notes payable and shown as other income in the statement of operations and deficit.

In the normal course of operations, the Corporation may become engaged in disputes with other parties. The ultimate resolution of these disputes, if any, are not determinable, however, management believes the outcomes will not have a material impact on the financial condition of the Corporation.

14. Future income taxes:

The tax effects of temporary differences that give rise to significant portions of future income tax assets are approximately as follows:

	2018	2017	2016	2015	2014
Future income tax assets:					
Non-capital losses and unclaimed scientific research and development expenses	$13,350,000	$ 16,210,000	$14,400,000	$13,080,000	$10,600,000
Less: valuation allowance	(13,350,000)	(16,210,000)	(14,400,000)	(13,240,000)	(10,600,000)
Net future income tax assets	$ –	$ –	$ –	$ –	$ –

The Corporation has approximately $52,780,000 (2014 - $42,381,000) of non-capital income tax losses and pools, which are available to reduce taxable income in future periods. The Corporation also has Canadian Scientific Research and Experimental Development ("SR&ED") income tax credits of approximately $2,589,800 (2014 - $3,045,431) which, if not utilized, will start to expire in 2027. No benefit for these losses, pools and credits have been recognized in these consolidated financial statements. The income tax losses, pools and credits are subject to assessment by Canadian taxation authorities.

14. Future income taxes (continued):

The Corporation's non-capital losses, if not utilized, expire as follows:

2027	$ 60,000
2028	230,000
2029	2,020,000
2030	24,040,000
2031	4,510,000
2032 to 2038	16,130,000

The Corporation has research and development expenditures not deducted at the end of the year, to be deducted over an indefinite period for an amount of $5,790,000.

15. Related party transactions:

Pursuant to restructuring plans in years 2015 and 2016 and further to growth plans in 2017 and 2018, the Corporation required access to working capital funds from third parties, directors and officers. The following table sets out interest expense paid to shareholders who are also officers or directors of the Corporation as well those amounts included in accounts payable and accrued liabilities.

	Interest Expense	Accounts Payable
2014	$ 289,500	$ 13,116
2015	81,778	22,759
2016	14,125	–
2017	86,247	–
2018	1,741	–

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. Financial instruments:

(a) Foreign exchange risk:

Foreign exchange risk is the risk that variation in exchange rates between the United States dollar and foreign currencies will affect the Corporation's operations and financial results. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, the variation in exchange rates could cause unanticipated fluctuations in the Corporation's operating results.

16. Financial instruments (continued):

(b) Interest rate risk:

The Corporation maintains its excess cash in interest bearing accounts and term deposits, which are subject to interest rate changes depending on prevailing rates and the length of time the Corporation invests the related cash.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. See note 1 for information concerning the Corporation's continued reliance on its ability to obtain additional sources of liquidity in order to continue operations.

(d) Credit risk management:

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk associated with other receivables is minimal due to the nature of the counterparty being mostly a government agency. Cash is deposited with a large Canadian financial institution.

17. Comparative information:

Certain comparative information has been reclassified to conform with the financial presentation adopted in the current year.