TRAKOPOLIS®
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CONSOLIDATED FINANCIAL STATEMENTS OF

TRAKOPOLIS IOT CORP.

YEARS ENDED DECEMBER 31, 2018 AND 2017

April 30, 2019

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Trakopolis IoT Corp.

Opinion

We have audited the consolidated financial statements of Trakopolis IoT Corp. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of operations and comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- 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 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*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 Company incurred a loss of $4,243,395 and utilized cash in operations of $2,781,616 during the year ended December 31, 2018, and has net current liabilities of $1,758,743 as at December 31, 2018.

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 that may cast significant doubt on the Entity'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. Other information comprises Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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 International Financial Reporting Standards, 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with

them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Lee Bardwell.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 30, 2019

TRAKOPOLIS IOT CORP.
Consolidated Statements of Financial Position
As at December 31, 2018 and December 31, 2017

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$1,965,833	$2,073,521
Accounts receivable (note 20)	1,152,270	1,763,390
Inventory (note 3)	454,871	570,821
Prepaid expenses	59,374	119,823
	3,632,348	4,527,555
Property and equipment (note 4)	107,879	106,193
	$3,740,227	$4,633,748
Liabilities and Shareholders' equity (deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	$1,704,250	$2,375,337
Deferred revenue	67,639	26,219
Provision for onerous lease (note 14)	-	35,962
Current shareholder loans (note 5)	45,263	223,461
Current portion of finance lease (note 18)	27,979	24,260
Current portion of debt (note 6)	3,545,960	230,171
	5,391,091	2,915,410
Shareholder loans (note 5)	210,812	-
Long term portion of lease (note 18)	13,428	20,974
Convertible Debenture (note 7)	917,037	-
Long term debt (note 6)	-	1,079,877
	1,141,277	1,100,851
Shareholders' equity (deficiency)		
Share capital (note 8)	25,922,643	25,859,383
Warrants (note 8(b))	1,056,081	763,835
Contributed surplus	2,429,754	2,098,208
Equity component of convertible debt (note 7)	163,702	29,057
Accumulated other comprehensive income	6,211	(5,859)
Deficit	(32,370,532)	(28,127,137)
	(2,792,141)	617,487
Going concern (note 1)		
Subsequent events (notes 6 and 21)		
	$3,740,227	$4,633,748

See accompanying notes to consolidated financial statements.

Approved by the Board:

B Olson Director

TRAKOPOLIS IOT CORP.
Consolidated Statements of Operations and Comprehensive Loss
For the year ended December 31, 2018 and 2017

	Year ended December 31, 2018	Year ended December 31, 2017
Revenue:		
Subscription sales	$4,735,011	$3,943,515
Hardware sales	1,582,643	5,381,081
Software development	-	151,781
Other revenue	20,962	25,110
	6,338,616	9,501,487
Cost of sales	2,758,888	6,251,550
Gross profit	3,579,728	3,249,937
Expenses:		
General and administrative	2,695,096	3,156,023
Sales and marketing	1,366,514	1,785,855
Services and Support	588,991	751,435
Technology	1,970,522	1,152,382
	6,621,123	6,845,695
Loss before undernoted	(3,041,395)	(3,595,758)
Finance expense:		
Derivative liability fair value adjustment	27,890	64,362
Interest on debt and loans	584,432	307,492
Other expense	96,056	27,056
Accretion expense	230,472	220,155
Loss on foreign exchange	229,451	-
	1,168,301	619,065
Amortization and depreciation expense	33,699	294,399
Gain on insured property and equipment	-	(22,997)
Gain on derecognition of intangible asset (note 19)	-	(390,970)
Net loss	(4,243,395)	(4,095,255)
Other comprehensive loss		
Foreign currency translation gain (loss)	12,070	(5,859)
Net loss and comprehensive loss	$(4,231,325)	$(4,101,114)
Loss per share:		
Basic and diluted (note 17)	$(0.16)	$(0.17)
Weighted average number of shares:		
Basic	26,117,603	24,215,200

See accompanying notes to consolidated financial statements.

TRAKOPOLIS IOT CORP.
Consolidated Statements of Changes in Equity
For the year ended December 31, 2018 and 2017

	Share capital	Warrants	Contributed surplus	Equity component of debt	Accumulated other comprehensive income	Deficit	Total equity (deficiency)
Balance, December 31, 2016	$ 23,895,466	$ 221,480	$ 1,690,655	$ 29,057	$ -	$(24,031,882)	$ 1,804,776
Common shares issued (note 8)	2,311,378	-	(543,703)	-	-	-	1,767,675
Warrants issued (note 8(b ii))	(355,230)	355,230	-	-	-	-	-
Warrants on debt (note 8(b iii))	-	189,395	-	-	-	-	189,395
Vesting of RSUs	-	-	63,716	-	-	-	63,716
Share-based compensation (note 10(d))	-	-	887,540	-	-	-	887,540
Exercise of warrants	7,769	(2,270)	-	-	-	-	5,499
Foreign currency translation loss	-	-	-	-	(5,859)	-	(5,859)
Net loss for the year	-	-	-	-	-	(4,095,255)	(4,095,255)
Balance, December 31, 2017	$ 25,859,383	$ 763,835	$ 2,098,208	$ 29,057	$ (5,859)	$(28,127,137)	$ 617,487

	Share capital	Warrants	Contributed surplus	Equity component of debt	Accumulated other comprehensive income	Deficit	Total equity (deficiency)
Balance, December 31, 2017	$ 25,859,383	$ 763,835	$ 2,098,208	$ 29,057	$ (5,859)	$(28,127,137)	$ 617,487
Common shares issued (note 8)	13,148	-	(13,148)	-	-	-	-
Share based compensation (note 10 (d))	-	-	315,637	-	-	-	315,637
Debt issuance (note 6 and 7)	50,112	292,246	-	163,702	-	-	506,060
Debt extinguishment (note 5)	-	-	29,057	(29,057)	-	-	-
Foreign currency translation gain	-	-	-	-	12,070	-	12,070
Net loss for the year	-	-	-	-	-	(4,243,395)	(4,243,395)
Balance, December 31, 2018	$ 25,922,643	$ 1,056,081	$ 2,429,754	$ 163,702	$ 6,211	$(32,370,532)	$(2,792,141)

See accompanying notes to consolidated financial statements.

TRAKOPOLIS IOT CORP.
Consolidated Statements of Cash Flows
For the year ended December 31, 2018 and 2017

	Year ended December 31, 2018	Year ended December 31, 2017
Cash flows (used in) from operating activities		
Net loss	$(4,243,395)	$(4,095,255)
Items not involving cash:		
Amortization and depreciation	33,699	294,399
Amortization of debt issuance costs	390,854	121,739
Provision for onerous lease	-	5,291
Share based compensation (note 10(c))	315,637	887,540
Fair value loss on RSUs	-	22,753
Derivative liability fair value adjustment	27,890	64,362
Accretion and accrued interest	267,892	220,155
Gain on disposal of intangible asset	-	(390,970)
Inventory write down	4,085	-
Unrealized loss on debt	132,619	-
Gain on insured property and equipment	-	(22,997)
	(3,070,719)	(2,892,983)
Changes in non-cash working capital:		
Accounts receivable	590,814	(653,920)
Inventory	115,950	(74,383)
Prepaid expenses	60,449	8,825
Accounts payable and accrued liabilities	(519,530)	429,076
Deferred revenue	41,420	(3,241)
	(2,781,616)	(3,186,626)
Cash flows (used in) from investing activities		
Additions to property and equipment (note 4)	(35,385)	(43,432)
Insurance proceeds	-	41,680
	(35,385)	(1,752)
Cash flows (used in) from financing activities		
Repayments of lease	(3,828)	(22,769)
Proceeds from shareholder loans	-	2,543
Repayments of shareholder loans	-	(51,720)
Restricted share units redeemed for cash	-	(100,000)
Payment of onerous lease (note 14)	(35,962)	(76,923)
Proceeds from convertible debenture (note 7)	1,100,000	-
Debt issuance costs paid on convertible debt (note 7)	(35,200)	-
Proceeds from exercise of warrants	-	5,499
Issuance of common shares	-	2,024,989
Common share issuance costs	-	(257,314)
Proceeds from debt (note 6)	5,844,900	-
Debt issuance costs paid (note 6)	(524,067)	-
Repayment of debt (note 6)	(3,636,530)	(574,286)
	2,709,313	950,019
Decrease in cash and cash equivalents	(107,688)	(2,238,359)
Cash and cash equivalents, beginning of period	2,073,521	4,311,880
Cash and cash equivalents, end of period	$1,965,833	$2,073,521
Supplementary Information: Interest paid	$ 559,925	$ 291,535

See accompanying notes to consolidated financial statements

1. Reporting Entity and Going Concern

Trakopolis IoT Corp. ("the Company") head office address is #300, 1711-10th Avenue SW Calgary, Alberta T3C 0K1. The Company's registered office address is 1600, 144 – 4th Avenue SW, Calgary, Alberta T2P 3N4. The Company is listed on the TSX Venture Exchange under the symbol TRAK.

Trakopolis IoT Corp. is a technology company that specializes in developing, marketing and delivering business intelligence to organizations that requires the location, status and relevant data on corporate assets such as equipment, devices, vehicles and people through its proprietary platform "Trakopolis".

These consolidated financial statements were authorized for issue by the Company's Board of Directors on April 30, 2019.

These consolidated financial statements have been prepared based on accounting policies applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. During the year ended December 31, 2018, the Company incurred a loss of $4,243,395 utilized funds amounting to $2,781,616 in its operations and had net current liabilities of $1,758,743. In order to continue as a going concern, the Company must generate sufficient income and cash flows to repay its obligations, finance working capital and fund capital investments. The future of the Company is dependent on its ability to attain profitable operations and maintain compliance with covenants relating to the lending agreement, generate sufficient funds from operations, continue receiving financial support from its shareholders and lenders, and obtain new financing. There is no certainty that the Company will raise these necessary funds from financing or operations. As a result of these factors, there is a material uncertainty that may result in significant doubt as to the ability of the Company to meet its obligations as they come due and continue as a going concern.

These consolidated financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statement of financial position classification used.

2. Basis of preparation and significant accounting policies:

These annual consolidated financial statements for the year ended December 31, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The annual consolidated financial statements are presented in Canadian Dollars ($), which is the Company's functional currency.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these consolidated financial statements.

(a) Basis of measurement:

The consolidated financial statements have been prepared under the historical cost basis except for derivative liabilities, stated at fair value

(b) Basis of consolidation:

These financial statements consolidate the accounts of the Company and its wholly-owned subsidiary. The subsidiary is fully consolidated from the date on which control is obtained by the Company until the date that control ceases. Intercompany transactions, balances, income and expenses and profits and losses are eliminated upon consolidation. The Company's operating subsidiaries are as follows:

- Trakopolis SaaS Corp.
- Trakopolis USA Corp.

(c) Inventory:

Inventory consists of tracking unit hardware and is valued at the lower of cost and net realizable value with the cost being determined on a weighted average basis. Net realizable value is the expected selling price in the ordinary course of business, less any costs to complete and applicable selling expenses. If carrying value exceeds the net realizable amount, an impairment is recognized. The impairment may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(d) Property and equipment:

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses. Property and equipment are amortized over their estimated useful lives at the following rates and methods.

Asset	Method	Rate
Computer equipment	Declining balance	30%
Furniture and office equipment	Declining balance	30%
Leasehold improvements	Straight-line	Lease term
Vehicle	Declining balance	20%
Signage	Declining balance	20%

(e) Intangible assets:

The Company incurs costs associated with the design and development of new products. Expenditures during the research phase are expensed as incurred.

Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available-for-use or sale; (ii) Its intention to complete the intangible asset and use or sell it; (iii) its ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and (vi) its ability to measure reliably the expenditures attributable to the intangible asset during its development. If these criteria are not met, such expenditures are expensed as incurred.

Capitalized development expenditures are measured at cost less accumulated amortization and accumulated impairment losses.

(f) Impairment of non-financial assets:

Property, equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. When an indication of impairment is identified the carrying value of the asset or group of assets is measured against the recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

(g) Warrants:

The Company may borrow amounts from third parties in the form of shareholder loans or long-term debt. Those instruments may have warrants attached, which allow the lender to purchase common shares over a defined time period at a fixed price. The Company accounts for equity instruments such as warrants, which are issued with and detachable from the financial liability, by measuring the equity components using the residual value method. The fair value of the financial liability is calculated first, with any residual value allocated to the warrants. The residual value of warrants is included in the warrants line within shareholders' equity.

The Company engages in equity financing transactions to obtain funds necessary for operations, to explore and evaluate business opportunities and to develop products. These equity financing transactions may involve issuance of commons shares or units. Each unit may be comprised of a certain number of common shares and a certain number of purchase warrants. Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are assigned a fair value using the Black-Scholes option pricing model and are included in the warrants line within shareholders' equity.

The Company assesses the warrants issued to determine if each meet criteria under IFRS for presentation as equity. Where these criteria are not met, such warrants are recorded as a liability at fair value and remeasured each reporting period.

(h) Share based compensation:

The Company grants equity awards comprised of stock options, restricted share units ("RSU") and retention shares to certain employees and directors of the Company.

Each tranche of stock options is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. This number of options expected to vest is reviewed at least annually, with any change in estimate recognized immediately in compensation expense with a corresponding adjustment to contributed surplus.

RSUs are fair valued at the grant date and expensed to share-based compensation under a graded vesting schedule. RSUs allow for the holder to elect equity in the form of common shares or cash redemption for the value of the restricted share award as determined at grant date. Unvested RSUs which have been recognized as an expense and for which the holder has not made an election for equity or cash and vested RSUs where the holder has elected for cash are recognized as a RSU liability and recorded as share based compensation.

When common shares are elected, the value is recognized in contributed surplus and moved to share capital upon issuance of the common shares.

Retention shares are fair valued at grant date and expensed to share based compensation under graded vesting. The value is recognized in contributed surplus and moved to share capital upon issuance of the related common shares.

(i) Income taxes:

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting or taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liability are presented as non-current.

Deferred income tax is determined on a non-discounted basis using tax rates and law that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset is realized or liability is settled.

(j) Revenue recognition:

The Company adopted IFRS 15 Revenue from Contracts with Customers effective January 1, 2018. IFRS 15 establishes a single comprehensive model to address how and when to recognize revenue as well as requiring entities to provide users of the financial statements with more informative, relevant disclosures in order to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The application of IFRS 15 has not had any significant impact on the recognition of revenue.

The Company enters into a variety of contracts and recognizes revenue when performance obligations have been fulfilled. The following describes the recognition of revenue for each of the Company’s contracts.

Subscription Revenue

Subscription revenue is generated in the form of monthly service subscription access to the Company's proprietary software platform. The Company satisfies its performance obligations and recognizes subscription revenue over time based on the subscription service being provided. Revenue transactions do not contain significant financing components or variable considerations. Payment terms with customers are typically 30 days from invoice date; however, extended terms can be provided.

Hardware Revenue

Revenue is recognized when the customer obtains control of the equipment product. Revenue is not recognized before there are indicators that control has passed, including the customer having a present obligation to pay, physical possession or legal title and risks and rewards of ownership. Payment is due upon receipt of the invoice; however, extended terms can be provided.

(k) Government assistance:

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The investment tax credits are accounted for as a reduction of the related expenditures for items expensed in the consolidated statement of operations or a reduction of the related asset's cost for items capitalized in the consolidated statement of financial position provided that a reasonable assurance over collection of the tax credits exists and the Company will comply with any conditions attached.

(l) Foreign currency:

Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at transaction dates. Carrying values of monetary assets and liabilities are subsequently adjusted to reflect the exchange rates in effect at the reporting date. Non-monetary items denominated in a foreign currency are translated into Canadian dollars at historical exchange rates. Foreign exchange gains and losses are included in the determination of net loss for the year. The Company's functional currency is Canadian dollars.

(m) Use of estimates:

The preparation of financial statements in compliance with IFRS requires management to apply estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses as well as certain disclosures within the consolidated financial statements. It also requires management to exercise judgement in applying the Company's accounting policies. Estimates and other judgements are periodically evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ significantly from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas requiring estimates and assumptions in determining the reported amounts in the financial statements are as follows:

(i) Provision for onerous lease:

The Company recognizes a provision on a head lease for space that is not occupied by the Company. Management determines the net recoverable amount on the space from a sublease and offsets this estimate against the head lease obligation. The carrying obligation is measured at each financial period.

(ii) Discount rate to fair value debt:

The Company will measure the fair value of debt where warrants and/or conversion features are attached. The Company estimates the discount rate based on current market rates for borrowing for a company of similar size and nature. The discount rate is used to first calculate the financial liability with the residual amount applied to equity.

(iii) Share-based compensation:

In measuring the grant date fair value of share-based payments, the Company makes estimates of risk-free interest rates, volatility, and expected life.

(iv) Intangible assets:

In measuring the fair value of intangible assets and corresponding liabilities the Company estimates the future cash flows using an appropriate discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. Estimating future cash flows involves significant judgements, estimates and assumptions, including those associated with the future cash flows of asset, discount rate and timing of cash flows.

(n) Financial instruments:

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Pursuant to IFRS 9, the classification of financial assets is based on the Corporation’s assessment of its business model for holding financial assets. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets measured at amortized cost are measured at cost using the effective interest method. Impairment of financial assets are recognized in accordance with IFRS 9's three stage process and credit losses expected to occur over the first 12 months of the life of the instrument are recognized immediately. The life time credit losses are recognized when the credit risk has increased significantly since the initial recognition. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the Consolidated Statements of Operations and Comprehensive Loss. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The new standard is effective retrospectively for financials years beginning on or after January 1, 2018 and the Company has concluded that the new standard will not have a material impact on the Company's financial statements.

(o) Provisions:

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reasonably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

The Company may provide limited warranties on certain products extending beyond the manufacturer's warranty. In such cases, it provides for the estimated cost of these product warranties.

(p) Earnings per share:

Basic earnings per share is calculated by dividing the net income for the period attributable to the Company's shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding for dilutive instruments. The number of dilutive instruments is computed using the treasury stock method. The Company's potential dilutive instruments include stock options, retention shares not issued, warrants, RSUs.

(q) Cost of sales:

Cost of sales includes the cost of purchasing and assembling inventory, provisioning the necessary hardware with custom software scripts, delivery and installation costs. Cost of sales also includes the cost of data from third party data providers in the form of cellular and satellite network data and communication services.

(r) Preference shares:

Preference shares are a financial instrument that may provide the holder with various rights including voting, conversion and retraction. Preference shares are recognized as equity or a financial liability dependent upon an assessment of these rights and the requirements under IFRS. Where preference shares contain both equity and liability characteristics the financial instrument is bifurcated into these separate components for presentation in the Company's statement of financial position.

(s) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand, cash at the bank and Guaranteed Investment Certificates that are readily convertible into cash at the Company's discretion and are at no risk of changes in value.

(t) Accounting policies:

The IASB has issued the following new standards that will be relevant to the Company in preparing its consolidated financial statements in the future periods.

(i) *IFRS Leases IFRS 16*, this standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The new standard is effective retrospectively for financials years beginning on or after January 1, 2019. The Company is still assessing the impact of IFRS 16 on its consolidated financial statements.

3. Inventory:

During the year ended December 31, 2018, the Company recognized an expense of $4,085 (year ended December 31, 2017 – $nil) related to inventory for which the net realizable value has been determined to be less than the expected selling price, less any costs to complete and applicable selling expenses. This expense has been recorded within general and administration expense as an inventory impairment.

4. Property and equipment:

The following table summarizes the Company's property and equipment as at December 31, 2018 and December 31, 2017:

	Computer Equipment	Furniture & Office Equipment	Leasehold Improvements	Vehicles	Signs	Total
Balance December 31, 2016	$51,725	$119,159	$7,083	$15,825	$9,247	$203,039
Additions	40,547	2,885	-	-	-	43,432
Disposals	(51,725)	(1,705)	-	-	-	(53,430)
Balance December 31, 2017	40,547	120,339	7,083	15,825	9,247	193,041
Accumulated Depreciation, December 31, 2016	(32,528)	(47,648)	(6,946)	(2,434)	(1,433)	(90,988)
Addition	33,952	-	-	-	-	33,952
Depreciation for the period	(10,547)	(13,548)	(138)	(4,017)	(1,563)	(29,813)
Accumulated Depreciation, December 31, 2017	(9,123)	(61,196)	(7,083)	(6,451)	(2,996)	(86,848)
Net Book Value December 31, 2017	**31,425**	**59,143**	**-**	**9,374**	**6,251**	**106,193**
Balance December 31, 2017	40,547	120,339	7,083	15,825	9,247	193,041
Additions	25,619	9,766	-	-	-	35,385
Balance December 31, 2018	66,166	130,105	7,083	15,825	9,247	228,426
Accumulated Depreciation December 31, 2017	(9,123)	(61,196)	(7,083)	(6,451)	(2,996)	(86,848)
Depreciation for the period	(15,846)	(13,791)		(2,812)	(1,250)	(33,700)
Accumulated Depreciation December 31, 2018	(24,969)	(74,987)	(7,083)	(9,263)	(4,246)	(120,547)
Net Book Value December 31, 2018	**$41,197**	**$55,119**	**-**	**$6,562**	**$5,001**	**$107,879**

5. Shareholder loans:

	December 31, 2018		December 31, 2017	
	Face value	Carrying value	Face value	Carrying value
Derivative liability	-	$45,263	-	-
Shareholder loans	225,000	210,812	225,000	223.461
	$225,000	$256,075	$225,000	$223,461

As at December 31, 2017 the shareholder loans were comprised of an unsecured, due on demand convertible loan that had a 10% annual interest rate with a face and carrying value of $50,000 and an unsecured convertible debenture due on January 31, 2018 that had a 10% annual interest rate with a face value of $175,000 and a carrying value of $173,461. The loans carried a conversion feature that provided the lender the right to convert either a full or partial amount of the value of the principal outstanding at any point throughout the term of the loan at a predetermined price of $1.50 per common share. In accordance with the Company's accounting policy, loans that have equity features are recognized at fair value by first calculating the financial liability with the residual recognized in equity. As at December 31, 2017 the equity value of shareholder loans was $29,057

On February 8th, 2018 both loans were amended with such amendment treated as an extinguishment of the shareholder loans with the associated equity value reclassed to contributed surplus. The amended shareholder loans comprise of a $50,000 convertible term loan due on February 8th, 2023 that has a 10% annual interest rate and a $175,000 convertible term loan due on February 8th, 2023 that has a 10% annual interest. Both shareholder loans include a conversion feature that provide the lender the right to convert a full or partial amount of the principal outstanding at any point throughout the term of the loan at a 20% discount to the last 20 days weighted average price of the common shares. The conversion feature is classified as a derivative liability due to the variable number of common shares that could be realized at time of conversion. As at December 31, 2018 the derivative liability was calculated at $45,263 and included in the current shareholder loan balance.

6. Term debt:

	December 31, 2018		December 31, 2017	
	Face value	Carrying value	Face value	Carrying value
Term Debt (a)	$4,092,600	$4,130,639	-	-
Long term debt (c)	-	-	$1,634,634	$1,470,402
Unamortized issue costs	-	(584,679)	-	(160,354)
	$4,092,600	$3,545,960	$1,634,634	$1,310,048

a) On November 15th, 2018 the Company terminated the SVB Facility and replaced it with a 12-month USD $3.0 million secured term loan (the "Term Loan"). The Term Loan bears interest at an annual rate of prime (US) plus 4.5%. In accordance with the terms of the Term Loan, the Company is not required to make any interest or principal repayments until maturity. The Company used the proceeds to pay out the SVB Facility and to fund certain lender expenses in accordance with the terms of the Term Loan, with the remaining funds to be made available for general working capital purposes. The Term Loan is secured against all the assets of the Company and its subsidiaries.

As part of the Term Loan arrangement, the Company paid debt issuance costs of $648,243 of which $380,502 is in cash expense and as at December 31, 2018 $332,939 of the debt issuance costs remained unamortized against the carrying value of the facility. The remainder of the debt issuance costs were in the form of warrants and these costs will be amortized over the remaining term of the facility. The provisions of the Term Loan provided for the issuance of 1,307,620 purchase warrants that allow for the lender to purchase one common share at an exercise price of $0.34 per common share and which expire on November 15, 2023. The fair value of each warrant was estimated on the date of grant using the Black- Scholes option pricing model. The estimated value of the warrants was calculated to be $267,741 using the following assumptions:

- Risk free interest rate: 2.21%
- Expected volatility: 72%
- Expected life in years: 5
- Expected dividend yield: nil

At the time of issuance of the Term Loan, the Company was subject to the following covenants, whereby it shall not:

i) Permit its Liquidity, as of any date, to be less than $1,000,000: "Liquidity" means, with respect to the Company, the aggregate amount of cash and cash equivalents (excluding retirement accounts and personal and corporate lines of credit), each as reasonably determined by lender, held in one or more deposit accounts or securities accounts subject to a control agreement and a first-priority perfected lien in favor of lender.

ii) Permit its in-force annual contract value to be less than the following amounts as at the last day of each of the following fiscal quarters of the Company:

1. 4th quarter of 2018 – USD $3,500,000;
2. 1st quarter of 2019 – USD $3,650,000;
3. 2nd quarter of 2019 – USD $3,850,000; and
4. 3rd quarter of 2019 – USD $4,000,000.

iii) Permit its Net Retention Rate to be less than 90% as of the last day of any fiscal quarter of the Company. "Net Retention Rate" means, as measured for any month (a "Testing Month"), the quotient, expressed as a percentage, of (i) the monthly recurring revenue ("MRR") for the Testing Month from customers that have been active for more than twelve (12) full months, divided by (ii) the MRR for the corresponding month occurring one year prior to the Testing Month.

As at December 31, 2018 the Company was compliant with all financial covenants.

Subsequent to year end, on March 15th, 2019 the Company and the lender agreed to amend the Term Loan. The Company made a principal repayment of USD$200,000 of which $102,240 was applied against accrued interest and the remainder applied as a permanent reduction of the principal amount. The amendment to the loan agreement revised the covenants to as follows:

i) Permit its Liquidity, as of any date, to be less than $800,000: "Liquidity" means, with respect to the Company, the aggregate amount of cash and cash equivalents (excluding retirement accounts and personal and corporate lines of credit), each as reasonably determined by lender, held in one or more deposit accounts or securities accounts subject to a control agreement and a first-priority perfected Lien in favor of lender.

ii) Permit its in-force annual contract value to be less than the following amounts as at the last day of each of the following fiscal quarters of the Company:

1. 4th quarter of 2018 – USD $3,500,000;
2. 1st quarter of 2019 – USD $3,575,000;
3. 2nd quarter of 2019 – USD $3,775,000; and
4. 3rd quarter of 2019 – USD $4,000,000.

iii) Permit its Net Retention Rate to be less than 90% as of the last day of any fiscal quarter of the Borrower. "Net Retention Rate" means, as measured for any month (a "Testing Month"), the quotient, expressed as a percentage, of (i) the MRR for the Testing Month from customers that have been active for more than twelve (12) full months, divided by (ii) the MRR for the corresponding month occurring one year prior to the Testing Month.

b) On February 14, 2018, the Company entered into a new USD $3.5 million secured credit facility with California based Silicon Valley Bank (the "SVB Facility"). The SVB Facility consisted of a 36-month term loan of USD $1.5 million (the "Loan Facility") and an accounts receivable line of credit of up to USD $2 million (the "Revolving Line"). The Loan Facility bore interest at a rate of US prime plus 1.5% and the Revolving Line bore interest at a rate ranging from US prime plus 1.75% to prime plus 2.25% based on certain operating metrics. The proceeds from the Loan Facility have been used to repay and retire the Company's previous outstanding indebtedness under the B.E.S.T Funds facility.

The Silicon Valley Bank Loan Facility was secured against all of the assets of the Company and its subsidiaries. As part of the Loan Facility arrangement, the Company paid debt issuance costs of $81,726. At the time of extinguishment there was $50,726 of unamortized debt issuance costs which were expensed as an interest expense at time of extinguishment. The Company's Loan Facility was subject to covenants which were amended throughout the period.

c) At December 31, 2017 the Company had a debt facility with a principal loan amount of $2.3 million, of which the Company had $1,634,634 outstanding bearing 11% annual interest and with a maturity date of April 28, 2019 (the “B.E.S.T Funds Facility”). The Company was required to make principal payments of 2% of the principal balance on a monthly basis, monthly interest payments and to assign any Scientific Research and Experimental Development (“SR&ED”) rebates received in cash against the principal balance. If the combined SR&ED and 2% monthly repayments were equal to or greater than 24% of the principal amount, no further payments would be required until the trailing twelve months payments were less than 24% of the principal amount as of the applicable payment date. If the SR&ED rebates received and applied to reduce the outstanding facility balance in any twelve-month period were less than 10% of the outstanding principal at the beginning of the specified period, the Company was to make an additional payment at the end of that period. As part of the debt facility arrangement, the Company paid debt issuance costs of $304,347. As at December 31, 2017, $160,354 remained unamortized against the carrying value of the loan. In February 2018 the B.E.S.T. Funds Facility was terminated and the loan was replaced resulting in prepayment penalty fees of $32,571 at the time of extinguishment.

7. Convertible Debenture:

	December 31, 2018		December 31, 2017	
	Face value	Carrying value	Face value	Carrying value
Long term debt	$1,100,000	$981,810	-	-
Unamortized issue costs	-	(64,773)	-	-
	$1,100,000	$917,037	-	-

On June 21, 2018 the Company completed a non-brokered private placement of 1,100 units (“Units”) comprised of $1,000 unsecured subordinated convertible debentures bearing an interest rate of 8% and 55.556 common shares in the capital of the Company, raising gross proceeds of $1,100,000. The common shares component of the Units were recognized as a financing fee and upon closing the Company issued 61,112 common shares. The convertible debentures mature on September 30, 2020 with interest payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The first interest payment was on September 30, 2018.

As part of the convertible debenture arrangement, the Company paid debt issuance costs of $85,312 inclusive of the value of the common shares issued. As at December 31, 2018, $64,773 remained unamortized against the carrying value of the debenture. These costs will be amortized over the remaining term of the loan.

The debentures are convertible into common shares at the option of the debenture holder at any time at the conversion price of $0.90 per common share. Additionally, the Company may force the conversion of the principal amount of the then outstanding debentures at the conversion price on not more than 60 days' and not less than 30 days' notice should the volume weighted average price of the Common Shares on the TSX Venture Exchange be greater than $1.15 for any period of 30 consecutive trading days preceding the date of the notice. The conversion feature was fair valued on the date of issuance at $163,702. This amount was allocated to the equity value of the convertible debenture.

The Company may prepay the debentures at any time, in whole or in part, by payment of any portion of the principal amount plus a premium of 5% plus accrued but unpaid interest on such portion of the principal amount being paid.

8. Share capital

(a) Issued common shares:

	Shares (#)	Amount ($)
Balance, December 31, 2016	23,194,629	$ 23,895,466
Issued for RSUs (iii)	402,444	368,647
Issued for wages (iv)	197,375	175,056
Issued for warrants (v)	5,499	7,769
Issued for subscription receipts (vi)	2,249,988	2,024,989
Issued for corporate finance fee (vii)	19,444	17,500
Share issuance costs (viii)	-	(630,044)
Balance, December 31, 2017	26,069,379	$25,859,383
Issued for wages (i)	21,914	$13,148
Convertible debenture issuance (ii)	61,112	$50,112
Balance, December 31, 2018	**26,152,405**	**$25,922,643**

(i) During the period ended December 31, 2018, the Company issued 21,914 common shares as equity-based retention compensation to management in accordance with vesting schedules set out in executive employment contracts.

(ii) During the period ended December 31, 2018, the Company issued 61,112 shares upon issuance of subordinated convertible debentures (note 7).

(iii) During the year ended December 31, 2017, the Company issued 402,444 common shares upon redemption of RSUs.

(iv) During the year ended December 31, 2017, the Company issued 197,375 common shares as equity based retention compensation to management in accordance with vesting schedules set out in executive employment contracts.

(v) During the year ended December 31, 2017, the Company issued 5,499 common shares for warrants exercised.

(vi) During the year ended December 31, 2017, the Company completed a subscription receipt offering issuing 2,249,988 common shares at a value of $0.90 per share for gross proceeds of $2,024,989.

(vii) The Company paid the agents a corporate finance fee in connection with the subscription receipt offering, comprised of 19,444 commons shares issued at $0.90 per share, recognizing share issuance cost of $17,500.

(viii) The Company incurred $630,044 in financial transaction costs associated with the issuance of new shares for the subscription receipt offering, of which $257,314 were cash expenses. The remaining are non-cash items relating to warrants issued (note 8 (b)) and common shares issued. In accordance with Company's accounting policy, the Company deducted the costs against the equity value issued.

(b) Warrants:

Balance, December 31, 2016	1,335,833
Issued (ii)	1,235,861
Exercised	(5,499)
Balance, December 31, 2017	2,566,195
Issued (i)	1,437,620
Expired	-
Balance, December 31, 2018	**4,003,815**
Weighted average exercise price	$0.87
Equity balance, end of period	**$1,056,081**

(i) During the year ended December 31, 2018 the Company issued 130,000 warrants as part of fees associated with an amendment of the SVB Facility. Each purchase warrant entitles the holder to acquire one common share $0.70 per share and expires October 24, 2023. The fair value of each warrant was estimated on the date of grant using the Black- Scholes option pricing model. The estimated value of the warrants has been recorded as a finance expense, the debt facility was retired on November 24, 2018 and was calculated to be $24,505 using the following assumptions:

- Risk free interest rate: 2.12%
- Expected volatility: 72%
- Expected life in years: 5
- Expected dividend yield: nil

The Company issued 1,307,620 warrants during the year ended December 31, 2018 under the terms of the Term Loan (note 6). Each purchase warrant entitles the holder to acquire one common share at $0.34 per share and expires November 15, 2023. In accordance with Company's accounting policy, the fair value of each warrant was estimated on the date of grant using the Black- Scholes option pricing model. The estimated value of the warrants was calculated to be $267,741 using the following assumptions:

- Risk free interest rate: 2.21%
- Expected volatility: 72%
- Expected life in years: 5
- Expected dividend yield: nil

(ii) During the year ended December 31, 2017, the Company issued 1,124,993 warrants as a financing fee upon completion of the subscription receipt offering (note 8(a)(vi)). Each purchase warrant entitles the holder to acquire one common share at $1.20 per share and expires on September 6, 2019. The fair value of each warrant was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated value of the warrants is recorded as a share issuance cost and was calculated to be $315,559 using the following assumptions:

- Risk free interest rate: 1.35%
- Expected volatility: 72%
- Expected life in years: 2
- Expected dividend yield: nil

The Company also issued an additional 110,868 warrants as a financing fee upon completion of the subscription receipt offering (note 8(a)(vi). Each purchase warrant entitles the holder to acquire one common share at $0.90 per share and expires on September 6, 2019. The fair value of each warrant was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated value of the warrants is recorded as a share issuance cost and was calculated to be $39,671 using the following assumptions:

- Risk free interest rate: 1.35%
- Expected volatility: 72%
- Expected life in years: 2
- Expected dividend yield: nil

(iii) Upon expiry of a pricing discount attached to a debt facility established in 2016 and retired in 2017 on October 28, 2017, the related warrant liability was reclassified as an equity instrument. Prior to reclassification the warrants were remeasured using the Black-Scholes option pricing model resulting in a fair value loss of $64,362. The estimated value of the warrants was $189,395 as at October 28, 2017 using the following assumptions:

- Risk free interest rate: 1.40%
- Expected volatility: 72%
- Expected life in years: 2
- Expected dividend yield: nil

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9. Income taxes:

Reconciliation of effective tax rate:

	Year ended December 31, 2018	Year ended December 31, 2017
Net Income before taxes	$ (4,243,395)	$ (4,095,255)
Statutory Income tax rate	27%	27%
Computed income tax (recovery)	(1,145,717)	(1,105,719)
Increase (decrease) result from:		
Non-deductible expenses	107,228	311,321
Change in unrecognized deferred tax asset	1,055,987	811,019
Other	(17,498)	(23,379)
Foreign Tax Rate Differences	-	6,757
Total income tax expenses	$ -	$ -

Unrecognized deferred tax assets:

Deferred tax assets have not been recognized as follows:

	December 31, 2018	December 31, 2017
Unrecognized tax loss carry forward	$ 4,863,082	$ 3,830,328
Other deductible temporary differences	497,129	473,896
	$ 5,360,211	$ 4,304,224

The tax losses commence expiring in 2027. The deductible temporary differences and research and development expenses do not expire under current tax legislation. Deferred taxes have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

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10. Share based payments:

(a) Stock option plan:

The Company has a stock option plan to encourage ownership of the Company's common shares by its directors, officers, employees and other eligible service providers. The exercise price of each option equals the Company's stock price on the date of the grant. Stock option terms and vesting periods are specified in a stock option plan approved by the Board of Directors. The Board has the full power to administer the issuance of options. Option activity is as follows:

	Number of share options	Weighted Average Exercise Price
Balance, December 31, 2016	811,475	$1.50
Issued (i)	1,642,000	1.06
Balance, December 31, 2017	2,453,475	1.21
Issued	-	-
Balance, December 31 2018	2,453,475	1.21
Exercisable at December 31, 2018	1,862,750	$1.24

(i) On May 5, 2017, the Company granted an aggregate of 920,000 stock options. The options vest one third on the grant date, one third January 1, 2018 and one third January 1, 2019. Each option represents the right to purchase one common share of the Company at an exercise price of $1.19 per share for a period of five years from the grant date. The options were valued using the following assumptions:

- Stock price as of grant date $1.19
- Risk free interest rate 0.89%
- Expected volatility 72%
- Expected dividend yield nil

On October 10, 2017, the Company granted an aggregate of 722,000 stock options. The options vest one third on the grant date, one third October 10, 2018 and one third October 10, 2019. Each option represents the right to purchase one common share of the Company at an exercise price of $0.90 per share for a period of five years from the grant date. The options were valued using the following assumptions:

- Stock price as of grant date $0.90
- Risk free interest rate 1.71%
- Expected volatility 72%
- Expected dividend yield nil

(b) Retention shares:

The Company utilizes a retention share plan to aid in retaining and motivating executives and employees. Retention shares are valued based on the fair market value of common shares at the date of grant. The following table summarizes retention share activity for the period:

	Number of retention shares
Outstanding, December 31, 2016	116,594
Vested	(94,680)
Outstanding, December 31, 2017	21,914
Vested	(21,914)
Outstanding, December 31, 2018	-

(c) Restricted Share Units:

The Company formerly utilized a restricted share unit ("RSU") plan as a component of the compensation plan for certain directors. The RSU program was terminated in 2016 with outstanding RSUs settled in 2017.

(d) Share-based compensation expense:

The stock option plan, restricted share unit plan and retention share based compensation expenses are summarized as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Stock options	$314,229	$ 775,504
RSUs	-	77,510
Retention shares	1,408	34,526
Share based compensation	$315,637	$887,540

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11. Commitments:

As at December 31, 2018, the Company has total commitments which require payments based on the maturity terms as follows:

	2019	2020	2021	2022	2023	Total
Finance Leases	$30,653	$11,661	$3,060	-	-	$45,374
Office Lease	366,030	-	-	-	-	366,030
Debt interest payments	438,168	88,560	22,500	22,500	-	571,728
Debt principal repayment	2,902,240	-	-	-	-	2,902,240
Total	$3,737,091	$100,221	$25,560	$22,500	-	$3,885,372

12. Financial risk management and financial instruments:

(a) Credit risk:

Credit risk reflects the risk the Company may be unable to recover accounts receivable. To mitigate this risk the Company reviews the creditworthiness of material new customers, monitors customer payment performance, where appropriate, reviews the financial conditions of existing customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers and economic circumstances. The Company employs established credit approval and monitoring practices to mitigate the risk.

(b) Currency risk:

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial obligations (note 1). The Company manages liquidity risk through management of its capital structure, monitoring and reviewing actual and forecasted cash flows and the effect on bank covenants, and maintaining unused credit facilities where possible to ensure there are available cash resources to meet the Company's liquidity needs.

(d) Capital management:

The Company's objective when managing capital is to ensure it has the appropriate capital structure to execute its strategic business plan while not creating risk to its ability to operate as a going concern. The Company's liquidity needs in short term and long term can be sourced multiple ways including: funds from operations, available cash balances, new debt instruments, equity issuances and government funding. The Company monitors its financing requirements through regular forecasting of its cash position. Financing decisions are based on the timing and extent of expected operating and capital cash outlays.

(e) Fair value:

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The difference in fair value and carrying value of shareholder loans and long-term debt is due to the significant difference in interest rates that arises due to the attachment of equity features such as warrants and conversion optionality.

(f) Classification of financial instruments and fair value:

(i) Determination of Fair values

Under IFRS, fair values recorded on the consolidated statement of financial position are classified under a fair value hierarchy that reflects the significant inputs used in making the measurements.

- Level 1 inputs use quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 inputs use inputs other than quoted prices in level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 inputs are inputs for the assets that are not based on an observable market data.

Recurring Measurements	Level 1	Level 2	Level 3
Cash	$ 1,965,411	$ –	$ –
Derivative liability	$ 45,263	$ –	$ –

13. Related party transactions:

The shareholder loans as described in note 6 are held by a director of the Company and a relative of the director. During the period the Company paid $5,000 in interest expense to the director (December 31, 2017 - $5,750) for interest owed on one of the shareholder loans and interest expense of $17,500 to the relative of the director (December 31, 2017 - $17,500). Both shareholder loans were amended in the period as per set out note 6.

14. Provision for onerous lease:

Prior to 2016, the Company vacated its previous head office building and relocated to a new space. The Company had 48 months remaining on the lease. The Company sublet the office space to two subtenants for the remainder of the lease term reducing the net obligation. As at December 31, 2018, the Company no longer has a lease obligation and as such no longer carries any provision related to the lease.

15. Expenses by nature:

	Year ended December 31, 2018	Year ended December 31, 2017
Wages and salaries	$3,103,497	$3,215,159
Share-based compensation expense	315,637	887,539

16. Executive compensation:

Key management personnel include directors and officers of the Company. In addition to their salaries, key management personnel participate in the Company's stock option plan and retention share plan. The following table shows compensation paid to directors and officers:

	Year ended December 31, 2018	Year ended December 31, 2017
Wages and salaries	$ 749,000	$ 720,000
Share-based compensation expense	238,075	766,181
Total	$987,075	$1,486,181

17. Loss per common share

The effects of potentially dilutive instruments such as stock options, warrants and RSUs on loss per common share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

	Year ended December 31, 2018	Year ended December 31, 2017
Weighted average common shares outstanding – basic and diluted	26,117,603	24,215,200
Loss for the period	$(4,243,395)	$(4,095,255)
Basic and diluted loss per common share	$(0.16)	$(0.17)

18. Finance lease obligation

	As at December 31, 2018	As at December 31, 2017
Less than one year	$30,653	$27,365
Between one and five years	14,463	22,992
	45,116	50,357
Interest	(3,709)	(5,123)
Present value of minimum lease payments	$41,407	$45,234
Current portion of finance lease obligation	27,979	24,260
Long term portion of finance lease obligation	13,428	20,974

19. Intangible Asset

As at December 31, 2017 the Company determined to take a different approach to Electronic Logbook ("ELOG") product offerings through a strategic partnership and discontinued the development and commercialization of the ELOG software. Subsequent to the year ended December 31, 2017 the Company provided notice to the vendor of such discontinuance. As a result, no future revenue was expected to be earned from the discontinued ELOG software, and as such, no future payments would be owing to the vendor. As a result, management determined that the recoverable amount of the intangible asset and the value of the liability due to the vendor $nil and adjusted the carrying values resulting in a non-cash gain on the disposal on the ELOG software of $390,970. in the year ended December 31, 2017.

20. Trade Receivables:

	As at December 31, 2018	As at December 31, 2017
Trade receivables, net of allowances for doubtful accounts	$1,076,227	$1,695,721
Other receivables	76,043	$67,669
	$1,152,270	$1,763,390

	As at December 31, 2018	As at December 31, 2017
Current	$485,145	$811,839
31-60 days	282,209	300,688
61-90 days	249,869	201,382
Greater than 90 days	59,004	381,812
	$1,076,227	$1,695,721

21. Subsequent events

Subsequent to year end, on March 15th, 2019 the Company and the Term Loan lender agreed to an amendment of the Term Loan. The Company made a principal repayment of USD$200,000 of which $102,240 was applied against accrued interest and the remainder applied as a permanent reduction of the principal amount. The amendment to the loan agreement revised the covenants as set out in note 6(a).