Interim Condensed Consolidated Financial Statements of

ESPIAL GROUP INC.

Quarters ended March 31, 2015 and 2014

(Unaudited)

ESPIAL GROUP INC.
Interim Condensed Consolidated Financial Statements
For the Quarters ended March 31, 2015 and 2014

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ESPIAL GROUP INC.

Interim Condensed Consolidated Balance Sheets

(In Canadian Dollars)
(Unaudited)

	March 31, 2015	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	$ 17,729,748	$ 18,111,324
Accounts receivable	4,871,176	3,861,058
Investment tax credits receivable	387,850	312,329
Prepaid expenses and other assets	673,463	567,853
	23,662,237	22,852,564
Equipment (Note 6)	713,992	727,626
Intangible assets (Note 6)	1,335,575	1,496,794
Goodwill	3,340,808	3,340,808
	$ 29,052,612	$ 28,417,792
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,105,118	$ 2,521,480
Provisions (Note 9)	32,518	-
Deferred revenue	3,659,417	3,557,667
	5,797,053	6,079,147
Provisions (Note 9)	169,506	275,234
Total Liabilities	5,966,559	6,354,381
COMMITMENTS (Note 8)		
SUBSEQUENT EVENTS (Note 12)		
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	91,664,297	91,072,570
Warrants (Note 4)	898,199	928,063
Share based payments reserve	13,088,144	12,986,590
Deficit	(82,564,587)	(82,923,812)
	23,086,053	22,063,411
	$ 29,052,612	$ 28,417,792

APPROVED BY THE BOARD

Jaison Dolvane

Peter Seeligsohn

See accompanying notes

ESPIAL GROUP INC.

Interim Condensed Consolidated Statements of Income and Comprehensive Income

(In Canadian Dollars)
(Unaudited)

	Three months Ended	
	March 31, 2015	March 31, 2014
Software	**$ 2,413,027**	$ 3,427,351
Professional services	**1,872,706**	360,394
Support and maintenance	**1,130,144**	1,187,079
Revenue	**5,415,877**	4,974,824
Cost of revenue	**1,169,387**	754,131
Gross margin	**4,246,490**	4,220,693
Expenses		
Sales and marketing	**1,146,086**	922,301
General and administrative	**790,041**	543,938
Research and development	**1,893,272**	1,522,097
Amortization of intangible assets	**161,219**	160,770
	3,990,618	3,149,106
Income before other income (expense)	**255,872**	1,071,587
Interest income	**36,390**	5,075
Foreign exchange gain	**103,756**	113,781
Interest expense	**-**	(88,782)
Income before taxes	**396,018**	1,101,661
Income taxes	**(36,793)**	(73,087)
Net income and comprehensive income	**$ 359,225**	$ 1,028,574
Income per common share - basic	**$ 0.01**	$ 0.05
Weighted average number of common shares outstanding - basic (Note 5)	**27,050,961**	19,796,305
Income per common share - diluted	**$ 0.01**	$ 0.05
Weighted average number of common shares outstanding - diluted (Note 5)	**28,801,098**	21,857,191

See accompanying notes

ESPIAL GROUP INC.
Interim Condensed Consolidated Statements of Cash Flows
(In Canadian Dollars)
(Unaudited)

	Three months Ended	
	March 31, 2015	March 31, 2014
CASH PROVIDED BY (USED IN)		
OPERATING		
Net income	**$ 359,225**	$ 1,028,574
Items not affecting cash		
Depreciation of property and equipment	**48,043**	39,701
Amortization of intangible assets	**161,219**	160,770
Share-based compensation expense	**320,863**	33,761
Interest accretion on long-term debt	**-**	40,563
Provisions	**(73,210)**	(56,554)
	816,140	1,246,815
Changes in non-cash operating working capital items (Note 7)	**(1,505,861)**	(963,920)
	(689,721)	282,895
INVESTING		
Purchase of equipment	**(34,409)**	(7,115)
Purchase of intangibles	**-**	(24,670)
	(34,409)	(31,785)
FINANCING		
Repayment of term debt	**-**	(1,000,000)
Proceeds from options exercised	**270,554**	-
Proceeds from warrants exercised (Note 4)	**72,000**	373,885
	342,554	(626,115)
Cash and cash equivalents outflow	**(381,576)**	(375,005)
Cash and cash equivalents, beginning of period	**18,111,324**	7,407,093
Cash and cash equivalents, end of period	**$ 17,729,748**	$ 7,032,088
Supplementary information:		
Interest paid	**$ -**	$ 48,219
Interest received	**$ 36,390**	$ 5,075
Taxes paid	**$ 36,793**	$ 73,087

See accompanying notes

ESPIAL GROUP INC.

Interim Condensed Consolidated Statements of Shareholders' Equity

(In Canadian Dollars, except share amounts)
(Unaudited)

	Common Shares					
	Number	**Amount**	**Warrants**	**Share-based payment reserve**	**(Deficit)**	**Shareholders' Equity**
Balance at December 31, 2013	**19,771,120**	**$77,781,292**	**$1,436,004**	**$12,125,080**	**($84,095,696)**	**$7,246,681**
Share-based compensation	-	-	-	33,761	-	33,761
Warrants exercised (Note 4)	519,285	501,769	(127,883)	-	-	373,885
Net and comprehensive income	-	-	-	-	1,028,574	1,028,574
Balance at March 31, 2014	**20,290,405**	**$78,283,061**	**$1,308,121**	**$12,158,841**	**($83,067,122)**	**$8,682,901**
Balance at December 31, 2014	**26,886,267**	**$91,072,570**	**$928,063**	**$12,986,590**	**($82,923,812)**	**$22,063,411**
Share-based compensation	-	-	-	320,863	-	320,863
Warrants exercised (Note 4)	100,000	101,864	(29,864)	-	-	72,000
Options exercised (Note 4)	378,180	489,863	-	(219,309)	-	270,554
Net and comprehensive income	-	-	-	-	359,225	359,225
Balance at March 31, 2015	**27,364,447**	**$91,664,297**	**$898,199**	**$13,088,144**	**($82,564,587)**	**$23,086,053**

See accompanying notes

1. DESCRIPTION OF BUSINESS

Espial Group Inc. (“Espial” or the “Company”) designs, develops and markets software solutions to enable the delivery of Internet Protocol Television (IPTV). IPTV is a platform that facilitates the provisioning of digital television and other innovative video services with Internet-like functionality over an Internet Protocol (IP) enabled broadband network infrastructure. The Company’s products allow communications service providers, including telecommunications, cable TV and satellite TV service providers to deploy IPTV services to their subscribers.

The Company’s address and principal place of business is 200 Elgin Street, Suite 1000, Ottawa, Ontario, K2P 1L5, Canada.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS’) 34 *Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”)* and do not include all information required for full annual financial statements for International Financial Reporting Standards (“IFRS”). These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Annual Report for the year ended December 31, 2014 and were prepared using the same accounting policies, except as described below.

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on, May 7, 2015.

(b) Basis of Measurement

These unaudited condensed consolidated interim statements have been prepared on a historical cost basis. The policies were consistently applied to all the periods presented unless otherwise noted. All figures presented in the consolidated financial statements and tabular disclosures to the consolidated financial statements are reflected in Canadian dollars, which is the functional currency of the Company and each of its subsidiaries.

(c) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Espial Inc., Espial Corporation, Espial (UK) Limited Espial Group Limited (formerly ANT plc. (“ANT”)), and Espial Limited (formerly ANT Software). All intercompany balances and revenue and expense transactions have been eliminated.

(d) Significant Accounting Policies

Except as disclosed below, the accounting policies applied in these unaudited condensed consolidated interim financial statements are the same as those applied in the Company’s consolidated financial statements as at and for the year ended December 31, 2014.

3. NEW AND REVISED IFRS ACCOUNTING PRONOUNCEMENTS

Financial instruments
IFRS 9, Financial Instruments: Classification and Measurement ("IFRS 9"), was Issued in November 2009 and revised in October 2010, IFRS 9, as issued, is the first phase in the IASB's project to replace IAS 39 Financial Instruments: recognition and measurement ("IAS 39"). This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities. The standard is effective for annual periods beginning January 1, 2018. The Company does not intend to adopt IFRS 9 at this time but continues to monitor the individual phases of the IASB project. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 15, Revenue from Contracts with Customers
In May, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), a new standard on revenue recognition. The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. The standard contains the following:

- a single model that applies to contracts with customers; and
- two approaches to recognizing revenue – at a point in time or over time.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard also provides application guidance on numerous topics, including warranties; licences; and when to capitalize costs of obtaining or fulfilling contracts that are not addressed in other accounting standards (e.g., inventory). IFRS 15 applies for annual periods beginning on or after January 1, 2017. Early application is permitted. The extent of the impact of adoption of IFRS 15 has not yet been determined.

4. SHARE CAPITAL

Share capital consists of an unlimited number of common shares of which 27,364,447 common shares were issued and outstanding at March 31, 2015 (December 31, 2014 – 26,886,267).

On June 24, 2014, the Company completed a public offering for common shares on a bought-deal basis (the "Offering"). The Company also granted the underwriters an over-allotment option to purchase up to an additional 526,320 Common Shares at the Offering Price which was exercised on July 24, 2014. Pursuant to the Offering and exercise of the over-allotment, the Company issued 4,035,120 common shares at a price of $2.85 (the "Offering Price") for gross proceeds of $11,500,092. The net proceeds, after deducting share issue costs of $926,655, which have been netted against the value of the common shares, were $10,573,437. Related to the Offering the Company granted the underwriters 210,528 compensation warrants to acquire one common share of the Company for each warrant at a price of $2.85 per share for a period of eighteen months from June 30, 2014. The $300,388 grant date fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: volatility of 112%, risk-free interest rate of 1.10%, dividend yield of NIL% and expected life of the warrants of eighteen months. As of March 31, 2015 all the warrants remained outstanding.

On November 15, 2013, the Company completed a private placement ("the Financing") of 5,714,286 units for gross proceeds of $4,000,000 (net proceeds of $3,623,037 after deducting issue costs). Each unit was issued at a price of $0.70 per unit and consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitled the holder thereof to acquire one common share of the Company at a price of $0.72 per share for a period of twelve months from November 15, 2013. The $703,622 grant date fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions: volatility of 114%, risk-free interest rate of 1.17%, dividend yield of NIL% and expected life of warrants of one year. The Company received $2,057,143 from the exercise of all 2,857,143 warrants to purchase 2,857,143 common shares. Related to this placement the Company granted the underwriters 400,000 compensation warrants to acquire one common share of the Company for each warrant at a price of $0.72 per share for a period of eighteen months from November 15, 2013. The $119,457 grant date fair value of the compensation warrants was calculated using the Black-Scholes option pricing model with the following assumptions: volatility of 114%, risk-free interest rate of 1.17%, dividend yield of NIL% and expected life of warrants of eighteen months. During 2014 the company received $144,000 for the exercise of 200,000 warrants to purchase 200,000 common shares. During the three months ended March 31, 2015, the Company received $72,000 from the exercise of 100,000 warrants to purchase 100,000 common shares. As of March 31, 2015, 100,000 of the warrants remained outstanding.

On December 30, 2010, Espial entered into a non-revolving term loan in the principal amount of $3,500,000 (Note 9). As part of the transaction the Company issued 823,529 warrants that entitle the holder thereof to purchase up to 823,529 common shares of the Company for a period of five years at a price of $0.70 per share. The $567,947 grant date fair value of the warrants was calculated as the residual amount of the principal amount of the loan less the fair value of the loan using the prevailing market interest rate and was credited to share based payment reserve. As of March 31, 2015 all warrants remain outstanding.

Stock option plans

As at March 31, 2015, there were 1,728,069 options for common shares remaining available for issuance under the 2007 option plan. Options are granted periodically and vest over four years. One quarter of the options vest after 12 months and the remainder vest in thirty-six equal tranches over the three years thereafter. The maximum term of these options is ten years. The Company uses the Black-Scholes option pricing model to value the options at the time of grant. Management periodically reviews the estimates used for calculating the fair value of options, volatility is calculated at the time of option grant using historical share price trading activity, risk-free interest rate is based on the government of Canada bond rate, dividend yield is NIL%; expected life of each option is 1.5 years after vesting. The forfeiture rate was estimated at 10%.

During the three months ended March 31, 2015, there were 615,000 options granted. The per share fair value of stock options granted during the three months ended March 31, 2015 was $1.76.

(In Canadian Dollars, except share amounts)

The following table summarizes information about option activity for the quarter ended March 31, 2015:

	Number of Options	Weighted-average Exercise Price
Outstanding, at December 31, 2014	**3,508,000**	**$1.78**
Granted	615,000	$2.75
Exercised	(378,180)	$0.72
Forfeited	-	-
Outstanding, at March 31, 2015	**3,744,820**	**$2.09**

	Number of Options	Weighted-average Exercise Price
Outstanding, at December 31, 2013	**2,271,232**	**$1.20**
Granted	1,374,000	$2.83
Exercised	(22,887)	$0.76
Forfeited	(114,345)	$3.06
Outstanding, at December 31, 2014	**3,508,000**	**$1.78**

The following table summarizes information about stock options outstanding at March 31, 2015:

	Options Outstanding		**Options Exercisable**	
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life**	**Number Outstanding**	**Weighted Average Exercise Price**
$0.26 - $1.00	1,485,563	5.6	1,240,862	$0.88
$1.01 - $2.00	243,875	6.1	133,749	$1.54
$2.01 - $4.00	1,907,483	9.2	72,483	$2.60
$4.01 - $7.00	107,899	2.7	107,899	$6.75
	3,744,820	**7.4**	**1,554,993**	**$1.42**

(In Canadian Dollars, except share amounts)

5. EARNINGS PER SHARE

The following table summarized the calculation of the weighted average number of basic and diluted common shares.

	2015	2014
Issued common shares at January 1	**26,886,267**	19,771,120
Effect of shares issued from warrants	**37,778**	25,186
Effect of shares issued from options	**126,916**	
Weighted average number of basic common shares at March 31	**27,050,961**	19,796,306
Effect of warrants on issue	**678,316**	1,525,107
Effect of share options on issue	**1,071,821**	535,778
Weighted average number of diluted common shares at March 31	**28,801,098**	21,857,191

Options and warrants that are anti-dilutive are not included in the computation of diluted earnings per share. As at March 31, 2015, 1,942,899 stock options and 210,528 warrants were excluded from the calculation of diluted earnings per share because they are anti-dilutive. As at March 31, 2014, 418,382 stock options and 12,129 warrants were excluded from the calculation of diluted earnings per share because they are anti-dilutive.

6. SEGMENTED INFORMATION

The Company operates in one operating segment: computer software solutions. This segment engages in business activities from which it earns license, support and professional services revenues and incurs expenses.

Revenues from external customers are attributed to geographic areas based on the location of the contracting customers. The following table sets forth external revenue by geographic areas:

	Three months	
	March 31, 2015	March 31, 2014
Europe	**$2,913,080**	$2,100,376
Asia Pacific	**1,161,278**	1,014,449
North America	**1,341,519**	1,859,999
	$5,415,877	$4,974,824

For the quarter ended March 31, 2015, the Company had two customers that individually accounted for 21% and 11% of revenue. For the quarter ended March 31, 2014, the Company had two customers that individually accounted for 20% and 16% of revenue. As at March 31, 2015 four customers accounted for 23%, 12%, 11% and 10% respectively of accounts receivable.

(In Canadian Dollars, except share amounts)

As at December 31, 2014 three customers accounted for 37%, 15% and 10% respectively of accounts receivable.

The following table sets forth property and equipment attributable to Canada (the Company's country of domicile), the United States and the United Kingdom. The three regions hold all of the Company's equipment.

	March 31, 2015	December 31, 2014
Canada	**$461,915**	$463,360
United States	**118,279**	125,467
United Kingdom	**133,798**	138,799
	$713,992	$727,626

The following table sets forth intangible assets attributable to Canada (the Company's country of domicile), the United States and the United Kingdom. The three regions hold all of the Company's intangible assets.

	March 31, 2015	December 31, 2014
Canada	**$ 56,500**	$ 61,081
United States	**56,081**	104,914
United Kingdom	**1,222,994**	1,330,799
	$ 1,335,575	$ 1,496,794

7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	Three months	
	March 31, 2015	March 31, 2014
Accounts receivable	**$ (1,010,118)**	$ (414,823)
Investment tax credits receivable	**(75,521)**	(75,548)
Prepaid expenses and other assets	**(105,610)**	(200,553)
Accounts payable and accrued liabilities	**(416,362)**	(104,738)
Deferred revenue	**101,750**	(168,258)
	$ (1,505,861)	$ (963,920)

8. COMMITMENTS

The Company has entered into several operating leases for office space and various equipment leases.

(In Canadian Dollars, except share amounts)

The Company rents premises in Canada, the United States and the United Kingdom under operating leases, which expire at varying dates up to June 2024. The lease agreements provide for base rent plus the Company's proportionate share of taxes and operating costs. The leases do not contain contingent rent clauses, purchase options, escalation clauses, or any restrictions regarding further leasing or additional debt.

The equipment leases are all for periods of three years or less, contain purchase options at fair value at termination of lease, do not contain any contingent rent clauses, escalation clauses, any restrictions regarding dividends, further leasing or additional debt.

The Company's minimum lease commitments over the remaining life of the leases are as follows:

2015	$ 522,560
2016	582,477
2017	338,538
2018	322,410
2019 to 2024	1,874,426
	$ 3,640,411

Lease payments recognized as an expense during the three month periods ended March 31, 2015 and 2014 were $194,235 and $145,609 respectively.

9. PROVISIONS

	Disputes	**Building**	**Total**
Opening, January 1, 2015	**$112,595**	**$162,639**	**$275,234**
Impact of foreign exchange	4,754	6,867	11,621
Utilized	(84,831)	-	(84,831)
Closing, March 31, 2015	32,518	169,506	202,024
Current	32,518	-	32,518
Non-current	**-**	**$169,506**	**$169,506**

The Company has provided an estimated cost of settling disputes relating to contractual issues, although at present the timing of any potential cash flow is currently unknown. The Company has provided the estimated non-recoverable cost of vacated leased space plus a dilapidation provision for its offices in the UK, acquired as part the ANT plc.("ANT) acquisition.

10. OPERATING LINE

As of March 31, 2015, the Company had an operating credit facility with a Schedule III Canadian chartered bank in an amount of up to US$3.0 million. The operating line is secured by a charge on all assets, and bears interest at the prime rate plus 1% and is available based on a percentage of trade accounts receivable and investment tax credits receivable, the "Borrowing Base". The Company must maintain a liquidity ratio of 1.5 times, calculated as the total of unrestricted cash and equivalents held at the bank plus 80% of eligible accounts receivable divided by all bank debt. As of March 31, 2015, the Company had drawn $nil on these credit facilities and was in compliance with its covenant.

(In Canadian Dollars, except share amounts)

11. EMPLOYEE BENEFITS EXPENSE

The following table presents the employee benefits earned by the employees during the periods noted below:

	March 31, 2015	March 31, 2014
Salaries	**$ 2,503,229**	$ 1,759,321
Benefits	**439,253**	328,386
Other labour costs	**221,494**	398,045
Commissions	**101,965**	94,942
Share-based payments	**320,863**	33,761
	$ 3,586,804	$ 2,514,455

The following table presents the share-based compensation expense by function during the periods noted below:

	March 31, 2015	March 31, 2014
Sales and marketing	**$ 27,197**	$ 5,041
General and administration	**258,702**	18,583
Research and development	**34,964**	10,137
	$ 320,863	$ 33,761

12. SUBSEQUENT EVENT

On April 15, 2015 Espial announced a public offering of 8,750,000 common shares at a price of $4.00 per Common Share on a bought-deal basis, pursuant to the filing of a short form prospectus. The Company also granted the underwriters an over-allotment option to purchase up to an additional 1,250,000 common shares at the Offering Price at any time within 30 days following the closing of the Offering. The aggregate gross proceeds to the Company for the Offering would be $35,000,000. If the over-allotment option is exercised in full, an additional $5,000,000 in gross proceeds will be raised and the aggregate gross proceeds of the Offering will then be $40,000,000. The Offering is expected to close on or about May 6, 2015.