

Interim Condensed Consolidated Financial Statements of

ESPIAL GROUP INC.

Three and six months ended June 30, 2015 and 2014

(Unaudited)

ESPIAL GROUP INC.
Interim Condensed Consolidated Financial Statements
For the three and six months ended June 30, 2015 and 2014

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ESPIAL GROUP INC.

Interim Condensed Consolidated Balance Sheets

(In Canadian Dollars)

(Unaudited)

	June 30, 2015	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 48,131,003	\$ 18,111,324
Accounts receivable	6,280,389	3,861,058
Investment tax credits receivable	608,507	312,329
Prepaid expenses and other assets	715,379	567,853
	<u>55,735,278</u>	<u>22,852,564</u>
Equipment (Note 6)	770,832	727,626
Intangible assets (Note 6)	1,953,194	1,496,794
Goodwill	3,632,604	3,340,808
	<u>\$ 62,091,908</u>	<u>\$ 28,417,792</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,535,233	\$ 2,521,480
Provisions (Note 9)	14,795	-
Deferred revenue	3,140,752	3,557,667
	<u>5,690,780</u>	<u>6,079,147</u>
Provisions (Note 9)	176,526	275,234
Total Liabilities	5,867,306	6,354,381
COMMITMENTS (Note 8)		
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	124,865,795	91,072,570
Warrants (Note 4)	764,709	928,063
Share based payments reserve	13,436,520	12,986,590
Deficit	(82,842,422)	(82,923,812)
	<u>56,224,602</u>	<u>22,063,411</u>
	<u>\$ 62,091,908</u>	<u>\$ 28,417,792</u>

APPROVED BY THE BOARD



Jaison Dolvane



Peter Seeligsohn

See accompanying notes

ESPIAL GROUP INC.

Interim Condensed Consolidated Statements of Income and Loss and Comprehensive Income and Loss

(In Canadian Dollars)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenue				
Software	\$ 1,709,951	\$ 1,109,268	\$ 4,122,978	\$ 4,536,619
Professional services	2,700,101	2,411,387	4,572,807	2,771,781
Support and maintenance	1,090,203	1,191,859	2,220,347	2,378,938
Total revenue	5,500,255	4,712,514	10,916,132	9,687,338
Cost of revenue	1,472,712	1,310,717	2,642,099	2,064,848
Gross margin	4,027,543	3,401,797	8,274,033	7,622,490
Expenses				
Sales and marketing	1,202,748	924,620	2,348,834	1,846,921
General and administrative	902,947	637,026	1,692,988	1,180,964
Research and development	2,028,129	1,434,899	3,921,400	2,956,995
Amortization of intangible assets	168,442	160,770	329,662	321,539
	4,302,266	3,157,315	8,292,884	6,306,419
Income (loss) before other income (expense)	(274,723)	244,482	(18,851)	1,316,071
Interest income	88,586	6,469	124,976	11,544
Foreign exchange gain (loss)	1,750	(92,321)	105,506	21,458
Interest expense	-	(17,381)	-	(106,163)
Income (loss) before taxes	(184,387)	141,249	211,631	1,242,910
Income tax expense	(93,448)	(50,678)	(130,241)	(123,765)
Net income (loss) and comprehensive income (loss)	\$ (277,835)	\$ 90,571	\$ 81,390	\$ 1,119,145
Income (loss) per common share - basic	\$ (0.01)	\$ 0.00	\$0.00	\$ 0.06
Weighted average number of common shares outstanding - basic (Note 5)	32,747,824	20,629,280	29,944,872	20,218,270
Income (loss) per common share - diluted	\$ (0.01)	\$ 0.00	\$0.00	\$ 0.05
Weighted average number of common shares outstanding – diluted (Note 5)	32,747,824	23,961,761	31,721,566	23,018,360
See accompanying notes				

ESPIAL GROUP INC.

Interim Condensed Consolidated Statements of Cash Flows

(In Canadian Dollars)
(Unaudited)

	Six months Ended	
	June 30, 2015	June 30, 2014
CASH PROVIDED BY (USED IN)		
OPERATING		
Net income	\$ 81,390	\$ 1,119,145
Items not affecting cash		
Depreciation of property and equipment	99,413	85,816
Amortization of intangible assets	329,662	321,539
Share-based compensation expense	746,280	184,345
Interest accretion on long-term debt	-	57,945
Provisions	(83,913)	(134,488)
	1,172,832	1,634,302
Changes in non-cash operating working capital items (Note 7)	(2,559,744)	(1,679,892)
	(1,386,912)	(45,590)
INVESTING		
Purchase of equipment	(77,848)	(63,730)
Purchase of intangibles	(42,629)	(24,669)
Purchase of business, net of cash acquired (Note 11)	(1,806,453)	-
	(1,926,930)	(88,399)
FINANCING		
Repayment of term debt	-	(2,500,000)
Proceeds from options exercised	365,845	2,960
Proceeds from warrants exercised (Note 4)	350,988	474,582
Proceeds from equity financing (Note 4)	35,000,000	10,000,080
Costs of share issuance (Note 4)	(2,383,312)	(822,741)
	33,333,521	7,154,881
Cash and cash equivalents inflow	30,019,679	7,020,892
Cash and cash equivalents, beginning of period	18,111,324	7,407,093
Cash and cash equivalents, end of period	\$ 48,131,003	\$ 14,427,985
Supplementary information:		
Interest paid	-	\$ (48,219)
Interest received	\$ 136,251	\$ 11,544
Taxes paid	\$(130,241)	\$ (123,765)

See accompanying notes

ESPIAL GROUP INC.

Interim Condensed Consolidated Statements of Shareholders' Equity

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

	Common Shares		Warrants	Share-based payment reserve	(Deficit)	Shareholders' Equity
	Number	Amount				
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
Share-based compensation	-	-	-	150,584	-	150,584
Proceeds from share issuance (Note 4)	3,648,657	9,012,090	265,946	-	-	9,278,036
Options exercised	3,251	2,960	-	-	-	2,960
Net and comprehensive income	-	-	-	-	90,571	90,571
Balance at June 30, 2014	23,942,313	\$87,298,111	\$1,574,067	\$12,309,425	(\$82,976,551)	\$18,205,052
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
Share-based compensation	-	-	-	425,417	-	425,417
Proceeds from share issuance (Note 4)	8,750,000	32,616,688	-	-	-	32,616,688
Warrants exercised (Note 4)	172,627	412,478	(133,490)	-	-	278,988
Options exercised	101,027	172,332	-	(77,041)	-	95,291
Net and comprehensive loss	-	-	-	-	(277,835)	(277,835)
Balance at June 30, 2015	36,388,101	\$124,865,795	\$764,709	\$13,436,520	(\$82,842,422)	\$56,224,602

See accompanying notes

ESPIAL GROUP INC.

Notes to Condensed Consolidated Interim Statements

for the three and six months ended June 30, 2015 and 2014 (unaudited)

(In Canadian Dollars, except share amounts)

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, July 29, 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”)), Espial Limited (formerly ANT Software), and Bluestreak Technologies SAS. 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.

ESPIAL GROUP INC.

Notes to Condensed Consolidated Interim Statements for the three and six months ended June 30, 2015 and 2014 (unaudited) (In Canadian Dollars, except share amounts)

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, 2018. 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 36,388,101 common shares were issued and outstanding at June 30, 2015 (December 31, 2014 – 26,886,267).

On May 6, 2015 the Company completed a public offering of 8,750,000 common shares at a price of \$4.00 per Common Share on a bought-deal basis. The aggregate gross proceeds to the Company for the Offering were \$35,000,000. The net proceeds, after deducting share issue costs of \$2,383,312, which have been netted against the value of the common shares, were \$32,616,688.

ESPIAL GROUP INC.

Notes to Condensed Consolidated Interim Statements

for the three and six months ended June 30, 2015 and 2014 (unaudited)

(In Canadian Dollars, except share amounts)

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 \$935,206, which have been netted against the value of the common shares, were \$10,564,886. 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. During the six months ended June 30, 2015 the Company received \$206,988 from the exercise of 72,627 warrants to purchase 72,627 common shares. At June 30, 2015, 137,901 of the warrants remained outstanding.

In 2014 and 2015, the Company received \$2,201,141 and \$144,000 respectively from warrants granted as part of a equity financing completed in 2013. At June 30, 2015, there were no warrants related to the 2013 financing that remained outstanding.

On December 30, 2010, Espial entered into a non-revolving term loan in the principal amount of \$3,500,000. 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. At June 30, 2015 all warrants remain outstanding.

Stock option plans

At June 30, 2015, there were 3,378,827 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 June 30, 2015, there were 255,000 options granted. The per share fair value of these stock options was \$2.21. During the six months ended June 30, 2015, there were 870,000 options granted.

ESPIAL GROUP INC.

Notes to Condensed Consolidated Interim Statements for the three and six months ended June 30, 2015 and 2014 (unaudited) (In Canadian Dollars, except share amounts)

The following table summarizes information about option activity for the six months ended June 30, 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
Granted	255,000	\$3.45
Exercised	(101,027)	\$0.94
Forfeited	-	-
Outstanding, at June 30, 2015	3,898,793	\$2.21

	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 June 30, 2015:

Range of Exercise Prices	Options Outstanding		Options Exercisable	
	Number Outstanding	Weighted Average Remaining Life	Number Outstanding	Weighted Average Exercise Price
\$0.26 - \$1.00	1,408,911	5.3	1,193,891	\$0.88
\$1.01 - \$2.00	219,500	6.1	109,500	\$1.61
\$2.01 - \$4.00	2,162,483	9.0	377,483	\$2.88
\$4.01 - \$7.00	107,899	2.5	107,899	\$6.75
	3,898,793	7.3	1,788,773	\$1.70

ESPIAL GROUP INC.

Notes to Condensed Consolidated Interim Statements for the three and six months ended June 30, 2015 and 2014 (unaudited) (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.

Three months ended June 30,	2015	2014
Issued common shares at April 1	27,364,447	20,290,405
Effect of shares issued from share offering	5,230,978	228,835
Effect of shares issued from warrants	130,557	109,147
Effect of shares issued from options	21,842	893
Weighted average number of basic common shares at June 30	32,747,824	20,629,280
Effect of warrants on issue	-	2,101,675
Effect of share options on issue	-	1,229,942
Weighted average number of diluted common shares at June 30	32,747,824	23,960,897

Options and warrants that are anti-dilutive are not included in the computation of diluted earnings per share. For the three months ended June 30, 2015, due to the net loss, all warrants and options were excluded from the calculation of diluted earnings per share because they are anti-dilutive. For the three months ended June 30, 2014, 1,379,600 stock options were excluded from the calculation of diluted earnings per share because they are anti-dilutive.

Six months ended June 30,	2015	2014
Issued common shares at January 1	26,886,267	19,771,120
Effect of shares issued from share offering	2,658,840	116,314
Effect of shares issued from warrants	135,421	329,079
Effect of shares issued from options	264,344	1,757
Weighted average number of basic common shares at June 30	29,944,872	20,218,270
Effect of warrants on issue	654,015	1,814,666
Effect of share options on issue	1,122,679	985,424
Weighted average number of diluted common shares at June 30	31,721,566	23,018,360

ESPIAL GROUP INC.

Notes to Condensed Consolidated Interim Statements for the three and six months ended June 30, 2015 and 2014 (unaudited) (In Canadian Dollars, except share amounts)

Options and warrants that are anti-dilutive are not included in the computation of diluted earnings per share. For the six months ended June 30, 2015, 312,899 stock options were excluded from the calculation of diluted earnings per share because they are anti-dilutive. For the six months ended June 30, 2014, 1,483,600 stock options 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 ended		Six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Europe	\$ 3,393,826	\$ 1,228,067	\$ 6,306,906	\$ 3,328,444
Asia Pacific	528,631	1,113,030	1,689,909	2,127,479
North America	1,577,798	2,371,417	2,919,317	4,231,415
	\$ 5,500,255	\$ 4,712,514	\$ 10,916,132	\$ 9,687,338

For the quarter ended June 30, 2015, the Company had two customers that individually accounted for 23% and 21% of revenue. For the quarter ended June 30, 2014, the Company had two customers that individually accounted for 32% and 10% of revenue. For the six months ended June 30, 2015, the Company had two customers that individually accounted for 21% and 16% of revenue and for the six months ended June 30, 2014, the Company had three customers that individually accounted for 16%, 11% and 11% of revenue. As at June 30, 2015 two customers accounted for 29% and 24% respectively of accounts receivable. 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, the United Kingdom and France. The four regions hold all of the Company's equipment.

	June 30, 2015	December 31, 2014
Canada	\$ 516,858	\$463,360
United States	109,149	125,467
United Kingdom	132,554	138,799
France	12,271	-
	\$770,832	\$727,626

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Notes to Condensed Consolidated Interim Statements for the three and six months ended June 30, 2015 and 2014 (unaudited) (In Canadian Dollars, except share amounts)

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.

	<u>June 30, 2015</u>	December 31, 2014
Canada	\$ 791,326	\$ 61,081
United States	7,248	104,914
United Kingdom	1,154,620	1,330,799
	<u>\$ 1,953,194</u>	<u>\$ 1,496,794</u>

7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	Six months	
	<u>June 30, 2015</u>	June 30, 2014
Accounts receivable	\$ (1,289,920)	\$ (1,913,014)
Investment tax credits receivable	(150,938)	(150,433)
Prepaid expenses and other assets	(79,820)	(255,244)
Accounts payable and accrued liabilities	(542,999)	666,850
Deferred revenue	(496,067)	(28,051)
	<u>\$ (2,559,744)</u>	<u>\$ (1,679,892)</u>

8. COMMITMENTS

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

The Company rents premises in Canada, the United States, the United Kingdom and France under operating leases, which expire at varying dates up to October 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.

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Notes to Condensed Consolidated Interim Statements for the three and six months ended June 30, 2015 and 2014 (unaudited) (In Canadian Dollars, except share amounts)

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

2015	\$ 411,578
2016	755,471
2017	476,631
2018	460,503
2019 to 2024	<u>2,679,967</u>
	<u>\$ 4,784,150</u>

Lease payments recognized as an expense during the three month periods ended June 30, 2015 and 2014 were \$250,782 and \$176,287 respectively. Lease payments recognized as an expense during the six month periods ended June 30, 2015 and 2014 were \$445,017 and \$333,901 respectively.

9. PROVISIONS

	<u>Disputes</u>	<u>Building</u>	<u>Total</u>
Opening, January 1, 2015	\$112,595	\$162,639	\$275,234
Impact of foreign exchange	9,614	13,887	23,501
Utilized	<u>(107,414)</u>	-	<u>(107,414)</u>
Closing, June 30, 2015	14,795	176,526	191,321
Current	<u>14,795</u>	-	<u>14,795</u>
Non-current	<u>-</u>	\$176,526	\$176,526

The Company has provided an estimated cost of settling disputes relating to contractual issues and expects the remaining amount to be settled in 2015. 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 of an acquisition.

ESPIAL GROUP INC.

Notes to Condensed Consolidated Interim Statements for the three and six months ended June 30, 2015 and 2014 (unaudited) (In Canadian Dollars, except share amounts)

10. EMPLOYEE BENEFITS EXPENSE

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

	Three Months ended		Six Months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Salaries	\$ 2,706,105	\$ 2,026,735	\$ 5,209,334	\$ 3,786,056
Benefits	423,517	299,669	862,770	628,055
Other labour costs	400,719	247,287	622,213	545,332
Commissions	38,376	89,257	140,341	184,198
Share based payments	425,417	150,584	746,280	184,345
	\$ 3,994,134	\$ 2,813,532	\$ 7,580,938	\$ 5,327,986

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

	Three Months ended		Six Months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Sales and marketing	\$ 65,710	\$ 8,073	\$ 92,908	\$ 13,113
General and administration	289,737	112,082	548,440	130,666
Research and development	69,970	30,429	104,932	40,566
	\$ 425,417	\$ 150,584	\$ 746,280	\$ 184,345

11. ACQUISITION OF BLUESTREAK TECHNOLOGIES.

On June 23, 2015 the Company entered into an agreement pursuant to which Espial acquired certain assets of Bluestreak Technology (Canada) Inc. including 100% of its France based subsidiary, Bluestreak Technologie SAS, for cash consideration of \$1,100,000 plus acquired cash and working capital for a total purchase price of \$2,854,431.

The acquisition further strengthens Espial's software expertise and experience integrating leading over-the-top services. These capabilities enhance Espial's RDK and HTML5 solutions which blend linear television with web-based video services.

The acquisition will be accounted for using the acquisition method of accounting, whereby the results of operations of the acquired assets are included in the Company's consolidated financial statement from the acquisition date and the related identifiable assets acquired and liabilities assumed are recorded at their fair values on the date of acquisition.

ESPIAL GROUP INC.

Notes to Condensed Consolidated Interim Statements for the three and six months ended June 30, 2015 and 2014 (unaudited) (In Canadian Dollars, except share amounts)

While the Company has undertaken a preliminary purchase price analysis, it is still finalizing the amounts for the acquired working capital and allocation of goodwill and intellectual property and expects the final allocation to be completed in 2015. The purchase price will be adjusted to reflect any changes to the working capital balances, including any uncollected accounts receivable. There are no contingent liabilities. The preliminary fair value of the assets acquired and liabilities assumed are as follows:

Assets acquired	
Cash	\$ 1,047,978
Accounts and unbilled receivables	1,129,411
Tax credit receivable	145,240
Prepaid expenses and deposits	67,706
Property and equipment	64,771
Goodwill	291,796
Intellectual property	743,433
	<hr/>
	3,490,335
Liabilities assumed	
Accounts payable & accrued liabilities	556,752
Deferred income	79,152
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	635,904
Total purchase price consideration	\$ 2,854,431

Goodwill and intellectual property have been allocated to the Company's single reporting unit. The value of the goodwill, all of which is tax deductible, relates to the estimated value of the assembled workforce. Intellectual property will be amortized over a period of five years.

The net cash outflow as at June 30, 2015 related to the acquisition of Bluestreak was:

Consideration paid in cash	\$ 2,854,431
Less: cash balances acquired	(1,047,978)
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	\$ 1,806,453