*Interim Condensed Consolidated Financial Statements of*

# ESPIAL GROUP INC.

*Three and six months ended June 30, 2017 and 2016*

(Unaudited)

# ESPIAL GROUP INC.
## Interim Condensed Consolidated Financial Statements
**Three and six months ended June 30, 2017 and 2016**

# ESPIAL GROUP INC.

## Interim Condensed Consolidated Balance Sheets

(In Canadian Dollars)
(Unaudited)

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 41,786,884 | $ 43,047,878 |
| Accounts receivable | 7,182,283 | 10,475,563 |
| Investment tax credits receivable | 456,400 | 321,018 |
| Prepaid expenses and other assets | 923,378 | 653,055 |
| | 50,348,945 | 54,497,514 |
| Property plant and equipment (Note 6) | 1,455,850 | 1,420,957 |
| Intangible assets (Note 6) | 1,333,359 | 1,818,067 |
| Goodwill (Note 6) | 3,632,604 | 3,632,604 |
| | $ 56,770,758 | $ 61,369,142 |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | $ 4,813,792 | $ 4,542,527 |
| Provisions (Note 10) | 187,119 | 334,591 |
| Deferred revenue | 2,608,318 | 2,054,323 |
| Total Liabilities | 7,609,229 | 6,931,441 |
| COMMITMENTS (Note 8) | | |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 4) | 124,820,391 | 125,362,413 |
| Share based payments reserve | 16,474,223 | 15,601,861 |
| Deficit | (92,133,085) | (86,526,573) |
| | 49,161,529 | 54,437,701 |
| | $ 56,770,758 | $ 61,369,142 |

APPROVED BY THE BOARD

Jaison Dolvane

Peter Seeligsohn

See accompanying notes

# ESPIAL GROUP INC.
## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(In Canadian Dollars)
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **June 30, 2017** | June 30, 2016 | **June 30, 2017** | June 30, 2016 |
| Revenue | | | | |
| Software | **$ 3,724,373** | $ 2,499,924 | **$ 8,749,724** | $ 4,940,663 |
| Professional services | **1,915,529** | 776,708 | **3,501,463** | 2,448,733 |
| Support and maintenance | **2,169,863** | 1,272,138 | **4,222,588** | 2,483,356 |
| Total revenue | **7,809,765** | 4,548,770 | **16,473,775** | 9,872,752 |
| Cost of revenue | **2,110,892** | 1,242,571 | **4,346,912** | 3,171,554 |
| Gross margin | **5,698,873** | 3,306,199 | **12,126,863** | 6,701,198 |
| Expenses | | | | |
| Sales and marketing | **1,904,307** | 1,417,853 | **3,559,465** | 2,682,296 |
| General and administrative | **1,703,876** | 1,005,962 | **2,710,577** | 1,870,710 |
| Research and development | **5,470,961** | 3,440,721 | **10,756,591** | 6,330,937 |
| Amortization of intable assets | **301,829** | 174,683 | **484,708** | 349,366 |
| | **9,380,973** | 6,039,219 | **17,511,341** | 11,233,309 |
| Loss before other income (expense) | **(3,682,100)** | (2,733,020) | **(5,384,478)** | (4,532,111) |
| Other expenses | **(66,419)** | (212,132) | **(149,414)** | (435,682) |
| Interest income | **63,980** | 85,216 | **126,523** | 171,948 |
| Loss before taxes | **(3,684,539)** | (2,859,936) | **(5,407,369)** | (4,795,845) |
| Income taxes | **(122,026)** | (86,040) | (199,143) | (117,663) |
| Net loss and comprehensive loss | **$ (3,806,565)** | $ (2,945,976) | **$ (5,606,512)** | $ (4,913,508) |
| Loss per common share - basic | **$ (0.10)** | $ (0.08) | **$ (0.15)** | $ (0.13) |
| Weighted average number of common shares outstanding - basic (Note 5) | **36,506,665** | 37,362,471 | **36,525,088** | 37,358,859 |
| Loss per common share - diluted | **$ (0.10)** | $ (0.08) | **$ (0.15)** | $ (0.13) |
| Weighted average number of common shares outstanding - diluted (Note 5) | **36,506,665** | 37,362,471 | **36,525,088** | 37,358,859 |

See accompanying notes

# ESPIAL GROUP INC.

## Interim Condensed Consolidated Statements of Cash Flows

(In Canadian Dollars)
(Unaudited)

| | Six Months Ended | |
|---|---|---|
| | **June 30, 2017** | June 30, 2016 |
| CASH (USED IN) PROVIDED BY | | |
| OPERATING | | |
| Net loss | **$ (5,606,512)** | $ (4,913,508) |
| Items not affecting cash | | |
| Depreciation of property and equipment | **203,236** | 148,613 |
| Amortization of intangible assets | **484,708** | 349,366 |
| Share-based compensation expense | **878,996** | 774,919 |
| Provisions | **(147,472)** | - |
| | **(4,187,044)** | (3,640,610) |
| Changes in non-cash operating working capital items (Note 7) | **3,712,835** | (189,201) |
| | **(474,209)** | (3,829,811) |
| INVESTING | | |
| Purchase of equipment | **(238,129)** | (272,617) |
| Purchase of intangibles | **-** | (125,129) |
| | **(238,129)** | (397,746) |
| FINANCING | | |
| Options exercised | **8,214** | 15,206 |
| Share repurchase program | **(556,870)** | - |
| | **(548,656)** | 15,206 |
| Net cash and cash equivalents outflow | **(1,260,994)** | (4,212,351) |
| Cash and cash equivalents, beginning of period | **43,047,878** | 49,947,096 |
| Cash and cash equivalents, end of period | **$ 41,786,884** | $ 45,734,745 |
| Supplementary information: | | |
| Interest received | **$ 126,523** | $ 171,948 |
| Taxes paid | **$ (199,143)** | $ (117,663) |

See accompanying notes

# ESPIAL GROUP INC.

## Interim Condensed Consolidated Statements of Shareholders' Equity

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

| | Common Shares | | | | |
|---|---|---|---|---|---|
| | **Number** | **Amount** | **Share-based payment reserve** | **(Deficit)** | **Shareholders' Equity** |
| Balance at December 31, 2015 | 37,348,057 | $126,583,844 | $14,059,806 | $(81,651,804) | $58,991,846 |
| Share-based compensation | - | - | 389,456 | - | 389,456 |
| Options exercised | 10,458 | 17,030 | (7,600) | - | 9,430 |
| Net and comprehensive loss | - | - | - | (1,967,532) | (1,967,532) |
| Balance at March 31, 2016 | 37,358,515 | $126,600,874 | $14,441,662 | $(83,619,336) | $57,423,200 |
| Share-based compensation | - | - | 385,463 | - | 385,463 |
| Options exercised | 9,729 | 10,435 | (4,659) | - | 5,776 |
| Net and comprehensive loss | - | - | - | (2,945,976) | (2,945,976) |
| Balance at June 30, 2016 | 37,368,244 | $126,611,309 | $14,822,466 | $(86,565,312) | $54,868,463 |
| | | | | | |
| **Balance at December 31, 2016** | **36,721,394** | **$125,362,413** | **$15,601,861** | **$(86,526,573)** | **$54,437,701** |
| Share-based compensation | - | - | 432,486 | - | 432,486 |
| Shares repurchased and cancelled (Note 4) | (218,400) | (473,233) | - | - | (473,233) |
| Options exercised | 6,400 | 11,193 | (5,010) | - | 6,183 |
| Net and comprehensive loss | - | - | - | (1,799,947) | (1,799,947) |
| **Balance at March 31, 2017** | **36,509,394** | **$124,900,373** | **$16,029,337** | **$(88,326,520)** | **$52,603,190** |
| | | | | | |
| Share-based compensation | - | - | 446,510 | - | 446,510 |
| Shares repurchased and cancelled (Note 4) | (35,400) | (83,637) | - | - | (83,637) |
| Options exercised | 2,200 | 3,655 | (1,624) | - | 2,031 |
| Net and comprehensive loss | - | - | - | (3,806,565) | (3,806,565) |
| **Balance at June 30, 2017** | **36,476,194** | **$124,820,391** | **$16,474,223** | **$(92,133,085)** | **$49,161,529** |

See accompanying notes

### 1. DESCRIPTION OF BUSINESS

Espial Group Inc. ("Espial" or the "Company") develops multiscreen client software solutions for set top box ("STB") and other devices as well as back-office software TV delivery systems for TV service providers using HTML5 as a key ingredient in high performance, cloud based TV user experiences. Leveraging open standards, including HTML5 and the RDK stack, Espial client solutions deliver user experiences with fast performance, elegant design and ease-of-use on STBs, tablets, mobile devices and Smart TV's. This allows customers to provide its consumers with interfaces that enable rich user experiences, innovative new Web services, TV programming, On-Demand content, and service provider apps on multiple devices.

The Company is incorporated in Canada. The Company's address and principal place of business is 200 Elgin Street, Suite1000, Ottawa, Ontario K2P 1L5 Canada.

### 2. BASIS OF PRESENTATION

***(a)*** **Statement of Compliance**

The unaudited interim condensed consolidated 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 interim condensed consolidated 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, 2016 and were prepared using the same accounting policies, except as described below.

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on, August 8, 2017.

***(b)*** **Basis of Measurement**

These unaudited interim condensed consolidated financial 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 unaudited interim condensed consolidated financial statements and tabular disclosures to the unaudited interim condensed 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**

These unaudited interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its wholly owned subsidiaries), Espial Inc., Espial DE, Inc., Espial (UK) Limited, Espial Unipessoal LDA, Espial SAS, Espial Group Limited and Espial Limited. All intercompany balances and revenue and expense transactions have been eliminated on consolidation.

***(d)*** **Significant Accounting Policies**

Except as disclosed below, the accounting policies applied in these unaudited interim condensed consolidated financial statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended December 31, 2016.

### 3. NEW AND REVISED IFRS ACCOUNTING PRONOUNCEMENTS

The following amendments were adopted by the Company in the fiscal year.

*IAS 7: Disclosure Initiative*

On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7).

The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes The Company has adopted this amendment with no impact on the unaudited interim condensed consolidated financial statements.

*IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*

On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12).

The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company has adopted this amendment with no impact on the unaudited interim condensed consolidated financial statements.

The following is a list of standards and amendments that have been issued but not yet adopted by the Company.

IFRS 9 *Financial Instruments*

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted.

The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. 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 Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

*IFRS 15: Revenue from Contracts with Customers*

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*, with amendments in 2016. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 may be applied retrospectively to each prior period presented (full retrospective method) or with the cumulative effect of adoption recognized as at the date of initial application (modified retrospective method).

IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15.

The standard contains a single model that applies to contracts with customers and two approaches to recognising 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. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The Company continues to execute an implementation plan to develop the necessary accounting policies, estimates and judgments required to adopt IFRS 15 as well as any changes required to business processes, systems and internal controls to implement the policies and disclosures required upon adoption of IFRS 15. The Company is not currently in the position to make a reliable estimate of the impact of IFRS 15 on the consolidated financial statements and related disclosures as all potential impacts of the new revenue recognition standard continue to be assessed. However, the Company currently believes that as a result of adoption, the Company may be required to capitalize and amortize certain incremental sales commissions paid to employees as contract acquisition costs. The Company also believes that adoption of this standard will require expanded financial statement disclosure on revenue, performance obligations and contract balances. The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018.

*IFRS 2: Share Based Payment*

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for: 1) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; 2) share-based payment transactions with a net settlement feature for withholding tax obligations; and 3) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018 and does not expect the amendments to have a material impact on the financial statements.

*IFRS 16: Leases*

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

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 Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

*IFRIC 22: Foreign Currency Transaction and Advance Consideration*

*On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The interpretation is applicable for annual periods beginning on or after January 1, 2018. Early application is permitted.*

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the Interpretation has not yet been determined.

### 4. SHARE CAPITAL

Share capital consists of an unlimited number of common shares of which 36,476,194 common shares were issued and outstanding at June 30, 2017 (December 31, 2016 – 36,721,394).

Share Repurchase Program

In September 2016, Espial announced its plan to repurchase up to 3,221,191 of its common shares, representing 10% of its public float of common shares, through a Normal Course Issuer Bid (NCIB). During the three months ended June 30, 2017 Espial repurchased for cancellation a total of 35,400 common shares for a total cost of $83,637. For the six month period ended June 30, 2017, Espial repurchased for cancellation a total of 253,800 common shares for a total cost of $556,870. The issuer bid commenced on August 24, 2016 and expires on August 23, 2017. Since the commencement of the NCIB, Espial has repurchased for cancelation a total of 901,900 common shares.

Stock option plans

As at June 30, 2017, there were 1,134,667 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 twelve 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, ranging from 61% to 79%; risk-free interest rate is based on the government of Canada bond rate, estimated at 0.72% at the time of issue; 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, 2017, there were 125,000 options granted. The per share fair value of stock options granted during the three months ended June 30, 2017 was $1.20. During the six months ended June 30, 2017, there were 878,500 options granted. The per share fair value of stock options granted during the six months ended June 30, 2017 was $1.39.

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

The following table summarizes information about option activity for the six months ended June 30, 2017 and for the year ended December 31, 2016.

| | Number of Options | Weighted-average Exercise Price |
|---|---|---|
| **Outstanding, at December 31, 2016** | **5,372,237** | **$2.19** |
| Granted | 753,500 | $2.65 |
| Exercised | (6,400) | $0.97 |
| Forfeited | (12,000) | $2.01 |
| **Outstanding, at March 31, 2017** | **6,107,337** | **$2.24** |
| Granted | 125,000 | $2.52 |
| Exercised | (2,200) | $0.92 |
| Forfeited | (69,565) | $6.46 |
| **Outstanding, at June 30, 2017** | **6,160,572** | **$2.20** |

| | Number of Options | Weighted-average Exercise Price |
|---|---|---|
| **Outstanding, at December 31, 2015** | **4,012,119** | **$2.25** |
| Granted | 1,442,000 | $2.00 |
| Exercised | (21,437) | $0.76 |
| Forfeited | (60,445) | $2.66 |
| **Outstanding, at December 31, 2016** | **5,372,237** | **$2.19** |

The following table summarizes information about stock options outstanding at June 30, 2017:

| | **Options Outstanding** | | **Options Exercisable** | |
|---|---|---|---|---|
| **Range of Exercise Prices** | **Number Outstanding** | **Weighted Average Remaining Life** | **Number Outstanding** | **Weighted Average Exercise Price** |
| $0.26 - $1.00 | 1,354,751 | 3.2 | 1,354,751 | $0.84 |
| $1.01 - $2.00 | 904,500 | 7.6 | 386,677 | $1.84 |
| $2.01 - $4.00 | 3,855,539 | 8.1 | 1,517,293 | $2.94 |
| $4.01 - $7.00 | 45,782 | 1.2 | 45,782 | $6.40 |
| | **6,160,572** | **6.9** | **3,304,503** | **$2.00** |

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

## 5. LOSS PER SHARE

The following table summarized the calculation of the weighted average number of basic and diluted common shares for the three and six months ended June 30:

| Three months ended June 30 | **2017** | 2016 |
|---|---|---|
| Issued common shares at April 1 | **36,509,394** | 37,358,515 |
| Effect of shares issued from options | **1,015** | 3,956 |
| Effect of shares repurchased under NCIB | **(3,744)** | - |
| Weighted average number of basic and diluted common shares at June 30 | **36,506,665** | 37,362,471 |

Options that are anti-dilutive are not included in the computation of diluted loss per share. For the three months ended June 30, 2017 and 2016, due to the net losses, all options were excluded from the calculation of diluted loss per share because they are anti-dilutive.

| Six months ended June 30, | **2017** | 2016 |
|---|---|---|
| Issued common shares at January 1 | **36,721,394** | 37,348,057 |
| Effect of shares issued from options | **5,029** | 10,802 |
| Effect of shares repurchased under NCIB | **(201,335)** | - |
| Weighted average number of basic and diluted common shares at June 30 | **36,525,088** | 37,358,859 |

For the six months ended June 30, 2017 and 2016, due to the net loss, all options were excluded from the calculation of diluted loss per share because they are anti-dilutive.

## 6. SEGMENTED INFORMATION

The Company operates in one operating segment: computer software solutions. The Company 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, 2017** | June 30, 2016 | **June 30, 2017** | June 30, 2016 |
| Europe | **$ 2,244,043** | $ 3,006,557 | **$ 5,294,659** | $ 6,413,737 |
| Asia Pacific | **823,868** | 854,997 | **1,348,891** | 1,968,017 |
| North America | **4,741,854** | 687,216 | **9,830,225** | 1,490,998 |
| | **$ 7,809,765** | $ 4,548,770 | **$ 16,473,775** | $ 9,872,752 |

(In Canadian Dollars, except share amounts)

For the three months ended June 30, 2017, the Company had two customers that individually accounted for 43% and 12% of revenue. For the three months ended June 30, 2016, the Company had two customers that individually accounted for 20% and 17% of revenue. For the six months ended June 30, 2017, the Company had two customers that individually accounted for 46% and 16% of revenue and for the six months ended June 30, 2016, the Company had two customers that individually accounted for 23% and 14% of revenue.

As at June 30, 2017 two customers accounted for 37% and 27% of accounts receivable. As at December 31, 2016 two customers accounted for 32% and 27% 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.

| | **June 30, 2017** | December 31, 2016 |
|---|---|---|
| Canada | **$ 859,975** | $ 861,526 |
| United States | **338,043** | 357,369 |
| United Kingdom | **257,832** | 202,062 |
| | **$ 1,455,850** | $ 1,420,957 |

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.

| | **June 30, 2017** | December 31, 2016 |
|---|---|---|
| Canada | **$ 524,198** | $ 667,403 |
| United States | **508,682** | 627,837 |
| United Kingdom | **300,479** | 522,827 |
| | **$ 1,333,359** | $ 1,818,067 |

The goodwill of $3,632,604 is attributable to Canada, $291,796, and the United States $3,340,808.

## 7. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

| | **Six months ended** | |
|---|---|---|
| | **June 30, 2017** | **June 30, 2016** |
| Accounts receivable | **$ 3,293,280** | $ 1,277,579 |
| Investment tax credits receivable | **(135,382)** | (159,476) |
| Prepaid expenses and other assets | **(270,323)** | 81,933 |
| Accounts payable and accrued liabilities | **271,265** | (399,426) |
| Deferred revenue | **553,995** | (989,811) |
| | **$ 3,712,835** | $ (189,201) |

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

### 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 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:

| | |
|---|---|
| 2017 | $ 557,260 |
| 2018 | 1,007,252 |
| 2019 | 820,426 |
| 2020 | 766,070 |
| 2021 to 2024 | 2,487,583 |
| | $5,638,591 |

Lease payments recognized as an expense during the three months ended June 30, 2017 and 2016 were $446,913 and $366,375 respectively. Lease payments recognized as an expense during the six months ended June 30, 2017 and 2016 were $886,299 and $594,689 respectively.

### 9. 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, 2017** | June 30, 2016 | **June 30, 2017** | June 30, 2016 |
| Salaries | **$ 6,064,039** | $ 3,387,894 | **$ 11,501,501** | $ 6,652,538 |
| Benefits | **1,045,681** | 617,489 | **2,197,113** | 1,294,968 |
| Variable compensation and other labour costs | **599,176** | 480,242 | **1,111,738** | 725,042 |
| Share based payments | **446,510** | 385,463 | **878,996** | 774,919 |
| | **$ 8,155,406** | $ 4,871,088 | **$ 15,689,348** | $ 9,447,467 |

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

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

| | Three Months ended | | Six Months ended | |
|---|---|---|---|---|
| | **June 30, 2017** | June 30, 2016 | **June 30, 2017** | June 30, 2016 |
| Sales and marketing | **$ 117,405** | $ 90,479 | **$ 227,180** | $ 175,057 |
| General and administration | **206,078** | 222,916 | **402,396** | 451,492 |
| Research and development | **123,027** | 72,068 | **249,420** | 148,370 |
| | **$ 446,510** | $ 385,463 | **$ 878,996** | $ 774,919 |

## 10. PROVISIONS

The Company has provided an estimated cost for an onerous contract it assumed.

| | |
|---|---|
| **Opening balance December 31, 2016** | **$334,591** |
| Impact of foreign exchange | (9,661) |
| Utilized | (137,811) |
| **Closing June 30, 2017** | **$187,119** |