iSIGN Media Solutions Inc.

Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2018 and 2017
Expressed in Canadian Dollars

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iSIGN MEDIA SOLUTIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JULY 31, 2018 and 2017

Contents

ISIGN MEDIA SOLUTIONS INC.

Notice of no auditor review of the condensed consolidated interim financial statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of iSIGN Media Solutions Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by The Canadian Institute of Chartered Accountants, for a review of interim financial statements by an entity's auditor.

September 28, 2018

iSIGN Media Solutions Inc.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
Expressed in Canadian Dollars

As at	[Notes]	July 31, 2018	April 30, 2018
Assets			
Current assets			
Cash		$ 151,713	$ 7,736
Restricted cash		10,000	10,000
Sales taxes recoverable		13,718	17,721
Prepaid expenses and deposits		15,902	15,902
Total current assets		191,333	51,359
Non-current assets			
Property and equipment	[4]	10,989	11,334
Intangible assets	[5]	55,993	56,917
Total non-current assets		66,982	68,251
Total assets		$ 258,315	$ 119,610
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	[11]	$ 1,610,482	$ 2,300,443
Advances	[6]	188,000	98,000
Provisions		99,400	99,400
Notes payable	[7]	660,700	636,783
Convertible notes payable	[8]	1,448,065	832,346
		4,006,647	3,966,972
Non-current liabilities			
Convertible note payable	{8]	-	318,080
Total liabilities		4,006,647	4,285,052
Shareholders' deficiency			
Share capital	[9.a]	14,344,771	13,662,659
Warrants	[9.d]	2,539,463	2,539,463
Contributed surplus	[10]	8,111,998	8,108,873
Convertible debenture conversion option		115,500	115,500
Deficit		(28,860,064)	(28,591,937)
Total shareholders' deficiency		(3,748,332)	(4,165,442)
Total liabilities and shareholders' equity		$ 258,315	$ 119,610

Going Concern [Note 2]; Commitments and Contingencies [Note 14]

Approved by the board

"A. Romanov" ______________________________ Director

"B. Reilly" ______________________________ Director

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the Three Months Ended July 31, 2018 and 2017
(Unaudited)
Expressed in Canadian Dollars

		Share Capital		Warrants					
	[Notes]	Number	Amount $	Number	Amount $	Contributed Surplus $	Deficit $	Convertible Debenture Conversion Option $	Total Shareholders' Equity (Deficiency) $
Balance at April 30, 2017		108,390,169	13,389,506	23,443,870	2,935,963	7,700,898	(27,356,362)	97,500	(3,232,495)
Transfer to contributed surplus:									
Ascribed value of expired warrants	[9.d,10]	-	-	(2,700,000)	(396,500)	396,500	-	-	-
Share-based compensation	[9.c]	-	-	-	-	8,350	-	-	8,350
Net loss		-	-	-	-	-	(383,233)	-	(383,233)
Balance at July 31, 2017		108,390,169	13,389,506	20,743,870	2,539,463	8,105,748	(27,739,595)	97,500	(3,607,378)
Balance at April 30, 2018		111,468,952	13,662,659	20,743,870	2,539,463	8,108,873	(28,591,937)	115,500	(4,165,442)
Issuance of common shares in exchange for debt	[9.a]	6,860,420	682,112	-	-	-	-	-	682,112
Share-based compensation	[9.c]	-	-	-	-	3,125	-	-	3,125
Net loss		-	-	-	-	-	(268,127)	-	(268,127)
Balance at July 31, 2018		118,329,372	14,344,771	20,743,870	2,539,463	8,111,998	(28,860,064)	115,500	(3,748,332)

The accompanying notes form an integral part of these consolidated financial statements.

iSIGN Media Solutions Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three Months Ended July 31, 2018 2017
(Unaudited)
Expressed in Canadian Dollars

	[Notes]		2018		2017
Revenues					
Sales		$	13,467	$	3,286
Service			-		119
Total revenue			13,467		3,405
Cost of Sales			4,705		5,903
Gross Profit			8,762		(2,498)
Expenses					
Amortization - intangible assets	[5]		924		58,491
Depreciation – property and equipment	[4]		345		972
General and administration	[19]		205,402		205,262
Research and development			6,600		77,945
Accretion interest			23,917		-
Interest			37,678		36,935
Selling and marketing	[18]		2,023		1,130
Total expenses			276,889		380,735
Net loss and comprehensive loss		$	(268,127)	$	(383,233)
Loss per share (basic and diluted)	[12]		(0.002)		(0.004)
Weighted average number common shares outstanding (basic and diluted)	[12]		112,028,762		107,998,346

The accompanying notes form an integral part of these consolidated financial statements.

iSIGN Media Solutions Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended July 31, 2018 and 2017
(Unaudited)
Expressed in Canadian Dollars

	[Notes]	2018	2017
Net (outflow) inflow of cash related to the following activities:			
Operating			
Net loss		$ (268,127)	$ (383,233)
Adjustments for non-cash items:			
Depreciation – property and equipment	[4]	345	972
Amortization – intangible assets	[5]	924	58,491
Stock-based compensation	[9.c]	3,125	8,350
Share-based loan interest	[7]	23,917	-
		(239,816)	(315,420)
Net change in non-cash working capital	[17]	(3,846)	65,498
Net cash used in operating activities		$ (243,662)	$ (249,922)
Financing			
Advances	[6]	$ 90,000	$ 290,000
Issuance of convertible note payable	[8]	297,639	-
Net cash provided by financing activities		$ 387,639	$ 290,000
Change in cash		$ 143,977	$ 40,078
Cash (bank indebtedness) – beginning of period		7,736	(18,708)
Cash – end of period		$ 151,713	$ 21,370
Supplemental Information:			
Shares issued in settlement of debt		$ 682,112	$ -

The accompanying notes form an integral part of these consolidated financial statements.

1. Description of Business

iSIGN Media Solutions Inc. ("iSIGN" or the "Company") was incorporated under the laws of Ontario on May 15, 2007. On April 8, 2008, the Company was listed on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company as defined in the Exchange's Policy 2.4, "Capital Pool Companies". On September 3, 2009, the Company completed its Qualifying Transaction, as defined in the Exchange's policy 2.4, by acquiring all of the issued and outstanding shares of iSIGN Media Corp. ("iSIGN Media"). The Corporation's head office is located at 45A West Wilmot Street, Unit 3 in Richmond Hill, Ontario, L4B 2P2.

iSIGN is a data focused Software-as-a-Service ("SaaS") company in the areas of location-based security alert messaging and proximity marketing utilizing Bluetooth® and Wi-Fi connectivity. Creators of the Smart suite of products, a patented interactive proximity marketing technology, iSIGN enables the delivery of messages to mobile devices, with real-time reporting and analytics.

2. Going Concern

While these consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, certain material uncertainties and events cast significant doubt upon the validity of this assumption. As at the period ended July 31, 2018, the Company has incurred significant losses since its inception in the amount of $28,860,064 (April 30, 2018 - $28,591,937). As at the period ended July 31, 2018, the Company reported a working capital deficiency of $3,815,314 (April 30, 2018 - $3,915,613).

The Company's ability to continue as a going concern will depend on management's ability to successfully execute its business plan and to raise capital through equity or debt financing until such time as the Company can support its activities through its own cash flow. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and comprehensive loss and the statement of financial position classifications used. The financial statement items most likely to be subject to adjustment would be inventories and intangible assets.

3. Basis of Preparation

Statement of Compliance
These unaudited condensed interim consolidated financial statements, including comparatives, have been consistently prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorized for issue by the Board of Directors on September 26, 2018.

Basis of Measurement
These consolidated financial statements have been prepared on the basis of historical costs.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and Presentation Currency
These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

3. Basis of Preparation – continued

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, iSIGN Media Corp., iSIGN Media Network Corp. and Pinpoint Commerce Inc.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Use of Estimates and Judgments
The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses during the reporting periods. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates and these differences could be material.

Intangible assets – The Company has capitalized certain costs to internally generated intangible assets related to intellectual property development; for costs incurred for a US patent that the Company has been awarded, as well as for patents in other jurisdictions that the Company is pursuing; and to the cost of obtaining certain contracts through a deferred share-based payment. Judgment is required in identifying whether a particular project can be properly classified as being in the development phase or not. In addition, judgment is required in order to identify and reliably measure the expenditures attributable to these development initiatives.

Inventories – The Company carries inventory on its accounts at the lower of cost and net realizable value. Judgment is required to evaluate when a write-down of inventory might be necessary and is required in the evaluation of available data to determine net realizable value.

Accounts receivable – The Company carries trade accounts receivable at cost net of an allowance for doubtful accounts which provides for any uncertainty of collection. Judgment is required on the evaluation of future probable events that might impact a customer's ability or intention to make full payment of these accounts.

Provisions – Provisions necessarily involve extensive judgment about the impact that a past event may have on future outlays and what amount would be required to be recorded in the current period to adequately reflect the obligation at the end of the reporting period.

Depreciation - Depreciation is calculated to amortize the cost, less estimated residual value, of property and equipment on a declining balance or a straight-line basis over their expected useful lives. Estimates of residual value and useful lives are based on data and information from various sources including vendors, industry practice, and company-specific history (Note 4).

Amortization - Amortization is calculated to amortize the cost of intangible assets on a straight-line basis over their expected useful lives. Useful lives are based on data and information from industry practice and company-specific history (Note 5).

3. Basis of Preparation – continued

Use of Estimates and Judgments – continued

Impairment - The determination of whether indicators of impairment exist and the aggregation of assets into cash generating units ("CGUs") based on their ability to generate independent cash flows is subject to management's judgment. The recoverable amounts used for impairment calculations require estimates of future cash flows related to the assets or CGUs and estimates of discount rates applied to these cash flows.

The Company reviews impairment based on the following:

Intangible assets (Note 5)	- Whenever there are indicators of impairment
Property and equipment (Note 4)	- Whenever there are indicators of impairment
Goodwill	- Whenever there are indicators of impairment

Revenue recognition - When deciding the most appropriate basis for presenting revenue or direct costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction. Where the Company's role in a transaction is that of principal, revenue is recognized on a gross basis. This requires principal revenue to comprise the gross value of the transaction billed to the customer with any related expenditure charged as direct cost of principal revenue. Where the Company's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue representing the margin earned.

Share-based payments - Management is required to make certain estimates when determining the fair value of stock option awards, the number of awards that are expected to vest, and warrants related to deferred stock-based payments. These estimates affect the amount recognized as share-based payments in the consolidated statements of loss, and the amounts ascribed to warrants in the statements of financial position (Note 9).

Income, value added, withholding and other taxed – The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, valued added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Compound financial instrument – The Company has entered into convertible debentures as described in Note 8. The fair value of the conversion option is estimated at the date of the transaction as the value of a similar liability that does not have an equity conversion option. Assumptions are made, and judgments are used in applying valuation techniques. Such judgement is inherently uncertain. Changes in the valuation assumptions could materially affect the fair value estimates of the liability and equity components of the convertible debentures.

Expressed in Canadian Dollars

4. Property and Equipment

	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
	$	$	$	$
Balance April 30, 2017	22,599	42,004	8,733	73,336
Disposals	-	-	-	-
Balance April 30, 2018	22,599	42,004	8,733	73,336
Disposals	-	-	-	-
Balance July 31, 2018	22,599	42,004	8,733	73,336
Balance April 30, 2017	11,401	38,626	7,714	57,741
Depreciation	1,120	2,122	1,019	4,261
Disposals	-	-	-	-
Balance April 30, 2018	12,521	40,748	8,733	62,002
Depreciation	252	93	-	345
Balance July 31, 2018	12,773	40,841	8,733	62347
Balance April 30, 2018	10,078	1,256	-	11,334
Balance July 31, 2018	9,826	1,163	-	10,989

Expressed in Canadian Dollars

5. Intangible Assets

	Internally-generated			Other		
	Technology Development Costs	Data Network Development Costs	Patents	Reacquired Rights	Deferred Share-based Payment	Total
	$	$	$	$	$	$
Cost						
Balance April 30, 2017	1,187,012	1,801,835	73,960	1,600,000	750,000	5,412,807
Additions	-	-	-	-	-	-
Balance April 30, 2018	1,187,012	1,801,835	73,960	1,600,000	750,000	5,412,807
Additions	-	-	-	-	-	-
Balance July 31, 2018	1,187,012	1,801,835	73,960	1,600,000	750,000	5,412,807
Accumulated amortization						
Balance April 30, 2017	167,109	-	13,345	1,250,909	750,000	2,181,363
Amortization	-	-	3,698	-	-	3,698
Balance April 30, 2018	167,109	-	17,043	1,250,909	750,000	2,185,061
Amortization	-	-	924	-	-	924
Balance July 31, 2018	167,109	-	17,967	1,250,909	750,000	2,185,985
Impairment losses, 2017	1,019,903	1,801,835	-	349,091	-	3,170,829
Net book value						
Balance April 30, 2018	-	-	56,917	-	-	56,917
Balance July 31, 2018	-	-	55,993	-	-	55,993
Remaining amortization period (in months)			116 to 209			

Due to the uncertainty surrounding the nature, extent and timing of future cash flows from the Company's Smart Antenna and Smart Player technologies, the Company determined during fiscal 2017 that an impairment loss should be recorded to bring the carrying value of its Technology Development Costs, Data Network Development Costs and Reacquired Rights to $Nil.

Expressed in Canadian Dollars

6. Advances

The Company classifies funds received with no agreed upon rate of interest and terms of repayment as advances.

	[Notes]		Amount
Balance April 30, 2017		$	269,700
Additions	11.xiii		60,000
Converted to shares	9.a. (iii)		(33,000)
Converted to notes payable	7.ii, 11.xii		(198,700)
Balance, April 30, 2018		$	98,000
Additions	11.xv		150,000
Converted to convertible notes payable	8.vi, 11.xiv		(60,000)
Balance, July 31, 2018		$	188,000

7. Notes Payable

i) On March 13, 2015, the Company entered into a secured $100,000 note with Korona Group Ltd., a company controlled by the Company's Chief Executive Officer, at an interest rate of 8% compounded monthly, due and payable July 30, 2015. On June 29, 2015, the Company repaid $40,000 against the outstanding $100,000. The Company and the note holder have agreed to further extend the due date of the remaining $60,000 to December 31, 2018 at 8% interest compounded monthly (Note 11.iii).

ii) On August 8, 2017, the Company entered into a secured $600,700 note with Korona Group Ltd., a company controlled by the Company's Chief Executive Officer, of which $198,700 was received during the year ended April 30, 2017 and was recorded under Advances (Note 11.xii). The note included the issuance of a 15% bonus paid in common shares of the Company, based upon the value of the note and utilizing a share price of $0.08 in lieu of cash interest payments (Note 9.a.ii).

	[Notes]		Amount
Balance April 30, 2017		$	60,000
Issuance of note	7.ii, 11.xii		600,700
Shares issued for interest	9.a(ii), 11.xii		(89,155)
Accretion interest			65,238
Balance April 30, 2018		$	636,783
Accretion interest			23,917
Balance July 31, 2018		$	660,700

8. Convertible Notes Payable

i) On May 7, 2015, the Company entered into a secured convertible promissory note in the amount of $360,000 due May 7, 2016 and bearing an interest rate of 10% per annum to 1454602 Ontario Inc., a company controlled by two shareholders both of whom are considered to be insiders of the Company, due to ownership in excess of 10% of the common shares of the Company (Note 11.iv).

On May 7, 2016, the $360,000 note was replaced with a new convertible promissory note for the same amount and interest rate, due May 7, 2019, with conversion into common shares of the Company at $0.11 per share, with a warrant exercisable at $0.17 per share for a period of two years (Note 11.iv).

ii) On September 22, 2016, the Company entered into two secured convertible promissory notes in the total amount of $204,000 due September 22, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. Both notes are convertible into common shares of the Company at $0.095, with a warrant exercisable at $0.15 per share for a period of two years (Note 11.viii).

iii) On October 13, 2016, the Company entered into two secured convertible promissory notes in the total amount of $139,000 due October 13, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The other note holder, Unicare Inc., is a company partially controlled by a shareholder, who is considered to be an insider of the Company due to undiluted ownership in excess of 10% of the common shares of the Company. Both notes are convertible into common shares of the Company at $0.10, with a warrant exercisable at $0.15 per share for a period of two years (Note 11.ix).

iv) On October 24, 2016, the Company entered into three secured convertible promissory notes in the total amount of $225,000 due October 24, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, Cancore Enterprise, is a company controlled by a shareholder, who is considered to be an insider of the Company due to diluted ownership in excess of 10% of the common shares of the Company. These notes are convertible into common shares of the Company at $0.12, with a warrant exercisable at $0.18 per share for a period of two years (Note 11.x).

v) On February 28, 2018, the Company entered into a secured convertible promissory note with Korona Group Ltd., a company controlled by the Company's Chief Executive Officer in the amount of $285,000 due February 26, 2019 and bearing an interest rate of 10% per annum, due upon maturity. The note is convertible into common shares of the Company at $0.07, with a warrant exercisable at $0.105 per share for a period of two years (Note 11.xiii).

vi) On June 27, 2018, the Company entered into a secured convertible promissory note with Korona Group Ltd., a company controlled by the Company's Chief Executive Officer in the amount of $297,639 due June 27, 2019 and bearing an interest rate of 10% per annum, due upon maturity. The note is convertible into common shares of the Company at $0.08, with a warrant exercisable at $0.12 per share for a period of two years (Note 11.xiv).

Expressed in Canadian Dollars

8. Convertible Notes Payable

	[Notes]	Amount
Balance April 30, 2017		$ 832,713
Issuance of note	8.v, 11.xiii	285,000
Accretion interest		56,713
Conversion feature		(24,000)
Balance April 30, 2018		$ 1,150,426
Issuance of note	8.vi, 11.xiv	297,639
Balance July 31, 2018		$ 1,448,065

9. Share Capital

a. Common Shares

Common shares issued

	[Notes]	Number	Amount
Balance April 30, 2017		108,390,169	$ 13,389,506
Issuance in exchange for debt	9.a.(i)	1,456,966	116,557
Issuance as a share bonus	9.a.(ii)	1,126,312	90,105
Issuance in exchange for debt	9.a.(iii)	495,505	69,371
Cost of share issuances		-	(2,880)
Balance April 30, 2018		111,468,952	$ 13,662,659
Issuance in exchange for debt	9.a.(iv)	6,860,420	686,042
Cost of share issuances		-	(3,930)
Balance July 31, 2018		118,329,372	$ 14,344,771

i. On September 5, 2017, the Company completed a shares for debt transaction with its Directors, officers and employees, by issuing 1,456,966 shares, at a price of $0.08 per share (based on the quoted market value of the Company's shares at the time of issue) as payment of directors' fees and salaries, totaling $116,557, less the cost of issuance of $1,083 (Note 11.xi).

ii. On September 5, 2017, the Company issued 1,126,312 shares to Korona Group Ltd., at a price of $0.08 per share (based on the quoted market value of the Company's shares at the time of issue) in lieu of cash interest on a promissory note, totaling $90,105, less the cost of issuance of $950 (Note 11.xii).

iii. On January 15, 2018, the Company completed a shares for debt transaction by issuing 495,505 shares at a price of $0.14 per share (based on the quoted market value of the Company's shares at the time of issue) in settlement of monies owed, totaling $69,371, less the cost of issuance of $847.

iv. On July 13, 2018, the Company completed a shares for debt transaction by issuing 6,860,420 shares at a price of $0.10 per in settlement of monies owed, totaling $686,042, less the cost of issuance of $3,930 (Note 11.xvi).

Expressed in Canadian Dollars

9. Share Capital - continued

b. Compensation Based Options

On September 19, 2016, the shareholders of the Company ratified a Stock Option Plan (the "Plan") which is administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants' options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding common shares. The Plan is a rolling plan such that the number of shares reserved for issuance will increase as the Company's issued and outstanding common shares increase. Options granted under the Plan are exercisable for a period up to five years, as determined by the Board, from the date of the grant. The exercise price of the options shall be determined by the Board at the time of the grant, but shall not be less than the Discounted Market Price as set by the TSX Venture Exchange Policy 1.1 as amended from time to time. The options are subject to several vesting periods as outlined in the Plan.

The granting of options is subject to the following conditions: (a) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders; (b) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders or issued to insiders within any one year period; (c) not more than 5% of the issued and outstanding common shares may be granted to any one individual in a one year period; (d) not more than 2% of the issued and outstanding common shares may be granted to any one consultant in any one-year period; and (e) not more than an aggregate 2% of the issued and outstanding common shares may be granted to an employee conducting investor relations activities in any one-year period.

c. Stock Options

A summary of the stock options outstanding and exercisable under the plan as of July 31, 2018 and April 30, 2018 and changes during the periods are as follows:

	[Notes]	Options	Weighted Price
Options outstanding at April 30, 2017		5,666,667	$ 0.21
Granted		250,000	0.15
Cancelled		(1,591,667)	0.16
Options outstanding at April 30, 2018		4,325,000	$ 0.23
Cancelled		(500,000)	0.205
Options outstanding at July 31, 2018		3,825,000	$ 0.23

	Options	Weighted Price
Options exercisable at April 30, 2017	5,425,001	$ 0.22
Vested during the year	208,334	0.18
Cancelled during the year	(1,433,335)	0.17
Options exercisable at April 30, 2018	4,200,000	$ 0.23
Vested during the year	125,000	0.15
Cancelled	(500,000)	0.21
Options exercisable at July 31, 2018	3,825,000	$ 0.24

Expressed in Canadian Dollars

9. Share Capital - continued

c. Stock Options – continued

The following table summarizes additional disclosures on the stock options outstanding at July 31, 2018:

	Options Outstanding		Options Exercisable				
Exercise Price	Number Outstanding	Remaining Average Life (Mths)	Number Outstanding	Remaining Average Life (Mths)	Fair Value at Time of Issue Not yet Expired	Expensed to 31-Jul-18	Not Expensed at 31-Jul-18
$ 0.200	1,575,000	4.5	1,575,000	4.5	$ 289,800	$ 289,800	$ -
0.260	750,000	8.0	750,000	8.0	190,500	190,500	-
0.260	1,250,000	22.5	1,250,000	22.5	208,750	208,750	-
0.15	250,000	49.5	250,000	49.5	6,250	6,250	-
	3,825,000		3,825,000		$ 695,300	$ 695,300	$ -

During the three months ended July 31, 2018, the Company recognized $3,125 (July 31, 2017 - $8,350) in stock-based compensation expense to directors, employees and consultants under general and administrative expenses. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 1.49% (July 31, 2017 – 1.49%); expected dividend yield of $Nil (July 31, 2017 - $Nil); estimated volatility of 106.4% (July 31, 2017 – 106.4%) and an expected option life of five years (July 31, 2017 – five years).

d. *Warrants*

	[Notes]	Warrants Number	Amount
Balance April 30, 2017		23,443,870	$ 2,935,963
Expiry of warrants	9.d.(i)	(2,700,000)	(396,500)
Balance April 30, 2018		20,743,870	$ 2,539,463
Expiry of warrants		-	-
Balance July 31, 2018		20,743,870	$ 2,539,463

i. During the year ended April 30, 2018, 2,700,000 warrants valued at $396,500 expired without being exercised and their value was transferred to contributed surplus.

Expressed in Canadian Dollars

9. Share Capital – continued

d. *Warrants - continued*

The following tables summarize information about stock warrants outstanding at July 31, 2018:

Issued	Number		Weighted Average Exercise Price	Expiry Date
07-Nov-13	9,499,999	$	0.45	07-Nov-18
11-Nov-14	9,566,094		0.24	11-Nov-18
11-May-15	677,777		0.27	11-May-19
06-Oct-15	1,000,000		0.225	06-Oct-18
Balance April 30, 2018	20,743,870	$	0.34	

Summary:

Number of Warrants Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Life (months)
9,499,999	$	0.45	3.0
9,566,094		0.24	3.5
677,777		0.27	9.5
1,000,000		0.225	2.0
20,743,870	$	0.34	

10. Contributed Surplus

Contributed surplus resulted from the following:

	[Notes]		Amount
Balance at April 30, 2017		$	7,700,898
Amounts resulting from share-based compensation	9.c.		11,475
Ascribed value of expired warrants	9.d.(i)		396,500
Balance at April 30, 2018		$	8,108,873
Amounts resulting from share-based compensation	9.c.		3,125
Ascribed value of expired warrants			-
Balance at July 31, 2018		$	8,111,998

11. Related Party Transactions and Balances

During the fiscal years 2018 and 2017, the Company entered into the following related party transactions. The outstanding amounts included in accounts payable and accrued liabilities are unsecured, non-interest bearing with no fixed terms of repayment.

i. Recorded the fees of the President to a company owned by him. During the three months ended July 31, 2018, the Company expensed fees totaling $30,000 (July 31, 2018 - $30,000) and fixed allowances of $4,440 (July 31, 2017 – $4,440). The amount outstanding in trade accounts payable at July 31, 2018 was $Nil (July 31, 2017 - $232,640). In the event of termination of this agreement for any reason other than just cause, a penalty of $34,440 would be owed.

ii. Recorded the fees of the Chief Financial Officer to a company controlled by him. During the three months ended July 31, 2018, the Company expensed fees totaling $9,000 (July 31, 2017 - $9,000). The amount outstanding in trade accounts payable at July 31, 2018 was $Nil (July 31, 2017 - $88,140).

iii. On March 13, 2015, the Company entered into a secured $100,000 note with Korona Group Ltd., a company controlled by the Company's Chief Executive Officer, at an interest rate of 8% compounded monthly, due and payable July 30, 2015. On June 15, 2015, the Company repaid $40,000 to the note holder. The Company and the note holder agreed to extend the $60,000 Note to December 31, 2018. Total interest expense on the Note for the three months ended July 31, 2018 amounted to $1,587 (July 31, 2017 - $1,465) and the accrued interest payable included in accounts payable at July 31, 2018 was $19,746 (July 31, 2017 - $13,632) (Note 7.i).

iv. On May 7, 2015, the Company issued a secured convertible promissory note in the amount of $360,000, due May 7, 2016 and bearing an interest rate of 10% to 1454602 Ontario Inc., a company controlled by two shareholders both of whom are considered to be insiders of the Company due to ownership in excess of 10% of the common shares of the Company (Note 8.i).

   Effective May 7, 2016, this note was replaced with a new convertible promissory note for the same amount and interest rate, due May 7, 2019. Total interest expense for these Notes for the three months ended July 31, 2018 amounted to $9,074 (July 31, 2017 - $9,074) and the accrued interest payable included in accounts payable at July 31, 2018 was $80,482 (July 31, 2017 – $44,482) (Note 8.i).

v. During the three months ended July 31, 2018, the Company recorded directors' fees of $16,000 (July 31, 2017 – $18,000). Included in accounts payable and accrued liabilities are unpaid directors' fees at July 31, 2018 of $16,000 (July 31, 2017 – $148,592).

vi. Contracted with QDAC Inc., a company under the significant influence of the Company's Chief Executive Officer and insider of the Company, to undertake the manufacture of the Company's hardware. The amount outstanding in trade accounts payable at July 31, 2018 was $783,102 (July 31, 2017 - $641,953). Included in trade accounts payable at July 31, 2018 are late payment fees of $357,119 (July 31, 2017 - $246,100), of which late payments charges of $28,760 (July 31, 2017 - $28,303) are recorded in Office costs under General and Administration.

vii. Incurred share-based compensation relating to stock options granted to Directors and Officers, based upon the vesting of stock options granted. During the three-month period ended July 31, 2018, the Company expensed non-cash costs of $3,125 (July 31, 2017 - $Nil).

11. Related Party Transactions and Balances – continued

viii. On September 22, 2016, the Company entered into a $79,000 secured convertible promissory note, with 1454602 Ontario Inc., a company controlled by two shareholders. both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The note, due September 22, 2017, bears an interest rate of 10%, is convertible at $0.095 per share, with a warrant priced at $0.15 exercisable for a period of two years from date of conversion. Total interest expense on the Note for the three months ended July 31, 2018 amounted to $1,991 (July 31, 2017 - $1,991) and the accrued interest payable included in accounts payable at July 31, 2018 was $15,246 (July 31, 2017 - $7,346) (Note 8.ii).

ix. On October 13, 2016, the Company entered into 2 secured convertible promissory notes, totaling $139,000 due October 13, 2017 bearing an interest rate of 10%, is convertible at $0.10 per share, with a warrant priced at $0.15 exercisable for a period of two years from date of conversion. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The other note holder, Unicare Inc., is a company partially controlled by a shareholder, who is considered to be an insider of the Company due to undiluted ownership in excess of 10% of the common shares of the Company. Total interest expense on these Notes for the three months ended July 31, 2018 amounted to $3,504 (July 31, 2017 - $3,504) and the accrued interest payable included in accounts payable at July 31, 2018 was $24,926 (July 31, 2017 - $11,026) (Note 8.iii).

x. On October 24, 2016, the Company entered into a $75,000 secured convertible promissory with Cancore Enterprise, a company controlled by a shareholder, who is considered to be an insider of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The note due October 31, 2017, bears an interest rate of 10% per annum, is convertible at $0.12 per share, with a warrant priced at $0.18 exercisable for a period of two years from date of conversion. Total interest expense on the Note for the three months ended July 31, 2018 amounted to $1,890 (July 31, 2017 - $1,890) and the accrued interest payable included in accounts payable at July 31, 2018 was $9,448 (July 31, 2017 - $1,948) (Note 8.iv).

xi. On September 5, 2017, the Company completed a shares for debt transaction by issuing 1,456,966 common shares at a price of $0.08 to Directors, Officers and employees of the Company in payment of fees and salaries totaling $116,557 (Note 9.a.i).

xii. On September 5, 2017, the Company converted advances received during the period of February to August 2017 into a promissory note with Korona Group Ltd., a company controlled by the Company's Chief Executive Officer, in the amount of $600,700. The note matures on August 31, 2018. A share bonus of 1,126,312 common shares was issued by the Company in lieu of interest payments. The bonus was calculated as being 15% of the note and was converted into shares at a conversion rate of $0.08 (Notes 7.ii and 9.a.ii).

xiii. On February 28, 2018, the Company converted advances received during the period of August 2017 to January 2018 into a convertible promissory note with Korona Group Ltd., a company controlled by the Company's Chief Executive Officer, in the amount of $285,000. The note matures on February 26, 2019, is convertible at $0.07 a share, with a warrant priced at $0.105 for two years from the date of conversion. Total interest expense on the Note for the three months ended July 31, 2018 amounted to $7,184 (July 31, 2017 - $Nil) and the accrued interest payable included in accounts payable at July 31, 2018 was $22,851 (July 31, 2017 - $Nil) (Note 8.v).

Expressed in Canadian Dollars

11. Related Party Transactions and Balances – continued

xiv. On June 27, 2018, the Company entered into a secured convertible promissory note with Korona Group Ltd., a company controlled by the Company's Chief Executive Officer in the amount of $297,639 due June 27, 2019 and bearing an interest rate of 10% per annum, due upon maturity. Included in this note were advances received during March 2018. The note is convertible into common shares of the Company at $0.08, with a warrant exercisable at $0.12 per share for a period of two years. Total interest expense on the Note for the three months ended July 31, 2018 amounted to $4,595 (July 31, 2017 - $Nil) and the accrued interest payable included in accounts payable at July 31, 2018 was $5,384 (July 31, 2017 - $789) (Note 8.vi).

xv. During July 2018, the Company received advances of $150,000 from Korona Group Ltd., a company controlled the Company's Chief Executive Officer. Total interest expenses and carried in accounts payable at July 31, 2018 was $904 (July 31 ,2017 - $Nil) (Note 6).

xvi. On July 13, 2018, the Company completed a shares for debt transaction by issuing 6,860,420 common shares at a price of $0.10 to Directors, Officers and employees of the Company in payment of fees and salaries totaling $686,042 (Note 9.a.iv).

xvii. Compensation of key management personnel and board of directors, as at July 31:

		July 31, 2018		July 31, 2017
Wages and director fees	$	55,000	$	57,000
Benefits		4,440		4,440
Share based compensation (non-cash)		3,125		-
	$	62,565	$	61,440

12. Loss per Share

Basic loss per share is calculated on the basis of the weighted average number of common shares outstanding for the period, which, for the three-month period ended July 31, 2018, amounted to 112,028,762 (July 31, 2017 – 107,998,346). For the periods presented, all stock options, warrants and convertible notes payables are anti-dilutive, therefore diluted loss per share is equal to the basic loss per share.

The following instruments have been excluded from the diluted earnings per share as these instruments are anti-dilutive:

	As At July 31,	
	2018	2017
Issued stock options	3,825,000	4,175,000
Issued warrants	20,743,870	20,743,870
Convertible notes – potential share issuance	16,477,010	8,685,095
Convertible notes – potential warrant issuance	16,477,010	8,685,095
	57,522,890	42,289,060

13. Financial Instruments and Risk Management

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. When the independent prices are not available, fair values are determined using valuation techniques that refer to observable market data. These techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Fair value

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments:

The carrying amounts of cash, restricted cash, accounts receivable, other receivables, bank indebtedness, accounts payable and accrued liabilities, notes payable, convertible notes payable and advances approximate fair value due to the short-term maturity of these financial instruments.

The Company had no financial instruments to classify within the fair value hierarchy as at July 31 and April 30, 2018.

Interest rate risk

The Company has cash and restricted cash balances with rates that fluctuate with the prevailing market rate. The Company's current policy is to invest excess cash in cash accounts or short-term interest-bearing securities issued by Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company's notes payable and convertible notes payable bear interest at fixed interest rates.

Credit risk

Credit risk is the risk of financial loss associated with the counterparty's inability to fulfill its payment obligations in accordance with the terms and conditions of its contract with the Company. Credit risk arises from cash and deposits with banks as well as credit exposure to outstanding receivables.

The Company's credit risk arises primarily from the Company's trade receivable. The carrying amount of financial assets represents the maximum credit exposure to the Company. The Company's exposure to trade credit risk as at July 31, 2018 was $Nil (April 30, 2017 - $Nil) net of allowances.

The Company may also have credit risk relating to cash and restricted cash, of $151,713 and $10,000 (April 30, 2018 - $7,736 and $10,000), respectively, which it manages by dealing with highly rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting its obligations that are associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial obligations when they fall due, from its funding sources, such as equity and debt issuances. The Company continues to actively pursue new equity financing to ensure that it will have funds available to meet liabilities when they fall due.

Expressed in Canadian Dollars

13. Financial Instruments and Risk Management - continued

Liquidity risk - continued

The following table represents the Company's financial liabilities identified by type and future contractual dates of payment:

	Total	Under 1 Year	1 – 3 Years	After 3 Years
Trade accounts payable and accrued liabilities	$ 1,610,482	$ 1,610,482	$ -	$ -
Advances	188,000	188,000	-	-
Notes payable	660,700	660,700	-	-
Convertible notes payable	1,510,639	1,510,639	-	-
	$ 3,969,821	$ 3,969,821	$ -	$ -

14. Commitments and Contingencies

Rental and operating leases

The Company currently has lease arrangements for the rental of its office in Richmond Hill, Ontario, Canada. The minimum annual lease payments under annual rental and operating leases exclusive of operating costs are as follows:

	Amount
Fiscal 2019	$ 23,693
Fiscal 2020	32,127
Fiscal 2021	13,502
	$ 69,322

The Company is party to certain contracts which contain minimum commitments of approximately $126,900 payable in fiscal 2019.

Contingencies and provisions

In the ordinary course of business, the Company estimates provisions for future obligations to remove equipment that has no scheduled date of removal. As at July 31, 2018 and April 30, 2018, management has estimated an amount of $99,400 relating to such obligations.

From time to time, the Company enters into software licensing agreements with a client/business partners whereby the Company has agreed to indemnify the counterparties for liabilities that may arise during the terms of the agreements. The maximum amount of any potential future payment cannot be reasonably estimated and it is not practicable to estimate the financial effects on its consolidated financial statements.

Expressed in Canadian Dollars

14. Commitments and Contingencies - continued

In the ordinary course of business, the Company and its subsidiaries are involved in legal claims and counter claims, as defendants or plaintiffs. The Company has evaluated its legal actions and has estimated potential settlements and legal costs based on the current information and have accrued a provision based on management's estimate of potential outcomes. It is management's opinion that any additional liability to the Company that may arise from these matters will not have a material effect upon the operating results, financial position or cash flows of the Company.

In the ordinary course of business, the Company estimates provisions for future obligations to remove equipment that has no scheduled date of removal.

15. Subsequent Events

i. On September 14, 2018, the Company completed a shares for debt transaction by issuing 1,527,435 shares at a deemed price of $0.08 to pay $122,195 owed to a supplier.

ii. On September 24, 2018 the Company received regulatory approval for a convertible notes funding for $500,000. The convertible debentures will mature on September 14, 2019 and bears interest at 10% per annum, payable at maturity. The notes convert into shares priced at $0.08, with warrants priced at $0.12, exercisable for two years from the date of conversion.

16. Capital Management

The Company considers that its capital is synonymous with the value of convertible notes payable, bank indebtedness and shareholders' equity (deficiency).

The total of these items was as follows:

		July 31, 2018		April 30, 2018
Convertible note payables	$	1,448,065	$	1,150,426
Shareholders' (deficiency)		(3,748,333)		(4,165,442)
	$	(2,300,268)	$	(3,015,016)

The Company manages its capital structure and makes adjustments to it in light of general economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long-term debt, convertible notes, issue shares or repurchase shares through a normal course issuer bid. The Board of Directors reviews and approves any material transactions not in the ordinary course of business which may include various acquisition proposals, as well as capital and operating budgets. The Company is not subject to any externally imposed capital requirements. There were no significant changes in the Company's approach to capital management during the three months ended July 31, 2018, or the fiscal year ended April 20, 2018.

Expressed in Canadian Dollars

17. Net Change in Non-Cash Working Capital

	For the three months ended July 31, 2018	2017
Net change in non-cash working capital balances:		
Accounts receivable	$ -	$ (14)
Other receivables	-	60,000
Sales taxes recoverable	4,003	(23,478)
Inventories	-	1,705
Prepaid expenses and deposits	-	(45)
Accounts payable and accrued liabilities	(7,849)	27,330
	$ (3,846)	$ 65,498

18. Selling and Marketing

	For the three months ended July 31, 2018	2017
Travel, tradeshows and promotional	$ -	$ 879
Third party commissions	2,023	-
Other	-	251
Total - Selling and marketing	$ 2,023	$ 1,130

19. General and Administration

	For the three months ended July 31, 2018	2017
Salaries	$ 17,490	$ 17,490
Benefits	1,518	1,627
Contractual services	51,188	54,718
Share-based compensation	3,125	8,350
Travel and auto	4,774	7,176
Office costs	51,917	43,935
Occupancy and operating costs	15,772	18,198
Professional	28,703	29,804
Consulting	55,000	6,000
Directors' fees	16,000	18,000
Other loss/(income)	(40,085)	(36)
Total - General and administration	$ 205,402	$ 205,262