

ICESoft Technologies Canada Corp.  
Condensed Consolidated Interim Financial Statements  
*(\$CDN) (Unaudited)*  
*For the period ended June 30, 2020*

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, continuous disclosure obligations, 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 Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed interim financial statements of the Corporation have been prepared by and are the responsibility of the ICESoft Management team.

**ICESoft Technologies Canada Corp.**  
Condensed Consolidated Interim Statements of Financial Position  
(\$CDN)  
As at

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	756,577	39,880
Accounts receivable	152,423	46,676
Prepaid expenses and deposits	19,836	22,520
<b>Total Current Assets</b>	<b>928,836</b>	<b>109,076</b>
Right of use asset (note 4)	40,878	56,207
<b>TOTAL ASSETS</b>	<b>969,714</b>	<b>165,283</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 13)	331,070	936,405
Current portion of term loans (note 6)	11,800	62,437
Current portion of deferred revenue	808,223	699,440
Current portion of convertible notes (note 7)	96,965	123,336
Current portion of lease liability (note 4)	34,916	29,863
<b>Total Current Liabilities</b>	<b>1,282,974</b>	<b>1,851,481</b>
Convertible notes (note 7)	-	712,309
Deferred revenue (note 5)	5,317	29,459
Term loans (note 6)	40,000	57,546
Derivative liability (note 8 (iv))	-	49,715
Lease liability (note 4)	13,605	32,577
Deferred wages (note 13)	527,654	-
<b>Total Liabilities</b>	<b>1,869,550</b>	<b>2,733,087</b>
<b>Shareholders' Deficiency</b>		
Share capital (note 8)	26,952,505	24,769,679
Equity portion of convertible notes (note 8)	4,127	35,690
Warrants (note 9)	650,821	585,624
Contributed surplus (note 10)	3,422,428	3,180,746
Accumulated other comprehensive loss	(1,860,320)	(1,821,657)
Deficit	(30,069,397)	(29,317,886)
<b>Total Shareholders' Deficiency</b>	<b>(899,836)</b>	<b>(2,567,804)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>	<b>969,714</b>	<b>165,283</b>

Going concern (note 1)

Approved by the Board of Directors

'Bruce Derrick' \_\_\_\_\_, Director

The accompanying notes are an integral part of the consolidated financial statements.

**ICESoft Technologies Canada Corp.**  
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
(\$CDN) (Unaudited)  
For the periods ended June 30

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Revenues (note 3)</b>				
Subscription income	335,313	359,062	683,117	709,604
License fees	-	4,464	-	4,464
Royalties	-	325	-	629
<b>Total Revenue</b>	<b>335,313</b>	<b>363,851</b>	<b>683,117</b>	<b>714,697</b>
<b>Expenses (note 13)</b>				
Research and development	321,180	386,222	626,084	648,964
General and administrative	101,080	18,917	182,487	159,888
Sales, marketing, and operations	83,824	104,990	188,333	202,722
<b>Total Expenses</b>	<b>506,084</b>	<b>510,129</b>	<b>996,904</b>	<b>1,011,574</b>
<b>Net Operating Loss</b>	<b>(170,771)</b>	<b>(146,278)</b>	<b>(313,787)</b>	<b>(296,877)</b>
<b>Other Income (Expense)</b>				
Government assistance – COVID-19	34,429	-	34,429	-
Capital raise expenses	-	-	(93,213)	-
Finance expense (note 11)	(8,539)	(26,733)	(40,407)	(54,859)
Foreign exchange	(14,252)	(781)	(14,850)	(1,124)
One-time costs associated with going public	-	(11,800)	-	(11,800)
Loss on debt extinguishment (note 8 (iv))	-	-	(155,465)	-
Stock-based compensation (note 12)	(163,559)	-	(168,218)	-
<b>Total Other Income (Expense)</b>	<b>(151,921)</b>	<b>(39,314)</b>	<b>(437,724)</b>	<b>(67,783)</b>
<b>Net Loss</b>	<b>(322,692)</b>	<b>(185,592)</b>	<b>(751,511)</b>	<b>(364,660)</b>
<b>Other Comprehensive Income (Loss)</b>				
Exchange gain (loss) on translation of foreign operations	49,207	72,898	(38,663)	147,764
<b>Comprehensive loss</b>	<b>(273,485)</b>	<b>(112,694)</b>	<b>(790,174)</b>	<b>(216,896)</b>
<b>Loss per share - basic and diluted (note 8 (vi))</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>

The accompanying notes are an integral part of the consolidated financial statements.

**ICESoft Technologies Canada Corp.**

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency  
 (\$CDN) (Unaudited)  
 For the periods ended June 30

	Share Capital	Equity component of convertible notes	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance December 31, 2018	24,405,501	35,690	232,286	3,180,746	(28,650,884)	(1,853,091)	(2,649,752)
Issuance of Units (note 8, 9)	303,140	-	31,810	-	-	-	334,950
Conversion of term loans to equity (note 8, 9)	109,033	-	10,967	-	-	-	120,000
Net Loss and Comprehensive Loss	-	-	-	-	(364,660)	147,764	(216,896)
<b>Balance June 30, 2019</b>	<b>24,817,674</b>	<b>35,690</b>	<b>275,063</b>	<b>3,180,746</b>	<b>(29,015,544)</b>	<b>(1,705,327)</b>	<b>(2,411,698)</b>
Balance December 31, 2019	24,769,679	35,690	585,624	3,180,746	(29,317,886)	(1,821,657)	(2,567,804)
Issuance of Units (note 8, 9)	1,157,272	-	59,728	-	-	-	1,217,000
Conversion of debt to equity (note 8, 9)	1,025,554	(31,563)	78,933	-	-	-	1,072,924
Stock-based compensation (note 12)	-	-	20,760	147,458	-	-	168,218
Expiration of warrants (note 9, 10)	-	-	(15,371)	15,371	-	-	-
Modification of warrants (note 9, 10)	-	-	(78,853)	78,853	-	-	-
Net Loss and Comprehensive Loss	-	-	-	-	(751,511)	(38,663)	(790,174)
<b>Balance June 30, 2020</b>	<b>26,952,505</b>	<b>4,127</b>	<b>650,821</b>	<b>3,422,428</b>	<b>(30,069,397)</b>	<b>(1,860,320)</b>	<b>(899,836)</b>

The accompanying notes are an integral part of the consolidated financial statements.

**ICEsoft Technologies Canada Corp.**  
Condensed Consolidated Interim Statements of Cash Flows  
(\$CDN) (Unaudited)  
For the periods ended June 30

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss	(322,692)	(185,592)	(751,511)	(364,660)
Add back (deduct) items not involving cash:				
Finance expense (note 11)	8,539	26,733	40,407	54,859
Stock-based compensation (note 12)	163,559	-	168,218	-
Loss on debt extinguishment (note 8 (iv))	-	-	155,465	-
Amortization of right of use asset (note 4)	7,664	8,290	15,329	16,580
	(142,930)	(150,569)	(372,092)	(293,221)
Changes in non-cash working capital items:				
Accounts receivable	66,287	266,787	(68,388)	(22,787)
Prepaid expenses and deposits	(5,130)	6,963	2,684	(2,604)
Accounts payable and accrued liabilities	(187,229)	(232,627)	(87,992)	(153,308)
Deferred revenue (note 5)	(108,448)	(126,719)	20,639	31,882
<b>Net cash used in operating activities</b>	<b>(377,450)</b>	<b>(236,165)</b>	<b>(505,149)</b>	<b>(440,038)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of Units (note 8, 9)	20,000	116,200	1,217,000	334,950
Proceeds from term loans (note 6)	40,000	-	42,900	-
Repayment of term loans (note 6)	-	(11,811)	(5,828)	(11,811)
Interest paid	(9,826)	(15,043)	(18,641)	(22,927)
Payment of lease liability (note 4)	(7,112)	(6,921)	(13,919)	(13,651)
<b>Net cash generated by financing activities</b>	<b>43,062</b>	<b>82,425</b>	<b>1,221,512</b>	<b>286,561</b>
Effect of change in foreign exchange rates on cash	88,204	72,898	334	147,764
<b>Net increase (decrease) in cash for the period</b>	<b>(246,184)</b>	<b>(80,842)</b>	<b>716,697</b>	<b>(5,713)</b>
Cash, beginning of the period	1,002,761	162,983	39,880	87,854
<b>Cash, end of the period</b>	<b>756,577</b>	<b>82,141</b>	<b>756,577</b>	<b>82,141</b>

See notes 8 and 9 for the details of non-cash transactions.

The accompanying notes are an integral part of the consolidated financial statements.

## NATURE OF OPERATIONS

ICESoft Technologies Canada Corp. (the "Corporation" or "ICESoft"), was incorporated on May 10, 2002 under the Canada *Business Corporations Act*. The Corporation's primary products consist of the Clickware products including ICEfaces and ICEpdf, and Voyent Alert.

ICESoft and its subsidiaries are commercial Java open source technology companies and providers of mobile rich Internet applications development solutions for desktop and mobile enterprise. ICESoft's head office is located at 370, 3553 31st Street NW, Calgary, Alberta, Canada, T2L 2K7.

These condensed consolidated interim financial statements of the Corporation as at June 30, 2020 and December 31, 2019 and for the periods ended June 30, 2020 and 2019 ("Financial Statements") consist of the Corporation and its wholly-owned subsidiaries. ICESoft wholly owns ICESoft Technologies Holdings Ltd, which acts as the Corporation's main Canadian operating entity; and wholly owns ICESoft Technologies Inc, incorporated in the State of Delaware, which acts as the United States operating entity.

### 1. GOING CONCERN

These Financial Statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern. As at June 30, 2020, the Corporation had negative net working capital of \$354,138 (December 31, 2019 - \$1,742,405) and an accumulated deficit of \$30,069,397 (December 31, 2019 - \$29,317,886). The Corporation incurred a net loss during the six months ended June 30, 2020 of \$751,511 (six months ended June 30, 2019 – loss of \$364,660).

The Corporation has not yet been able to generate the transaction volumes required to create positive cash flows from operations. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to June 30, 2020 is uncertain. Until this time, management may have to raise funds by way of debt or equity issuances. The Corporation will closely monitor its cash and will take the necessary measures to preserve cash, such as reducing spending as needed until the Corporation succeeds in gathering sufficient sales volumes to consistently achieve profitable operations and generate positive cash flows from operations.

The recently-declared pandemic for the COVID-19 virus could also negatively impact the Corporation's ability to continue as a going concern. The extent to which the coronavirus will impact the Corporation's results will depend on future developments, which are highly uncertain, cannot be predicted, and will include new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. For more information about the Corporation's exposure to COVID-19 see note 15 (subsequent events).

These Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

## 2. BASIS OF PRESENTATION

(a) Statement of compliance

These Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Financial Statements were approved and authorized for issue by the Board of Directors on August 20, 2020.

(b) Basis of preparation

These Financial Statements have been prepared under the historical cost convention, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and are expressed in Canadian dollars unless otherwise indicated. Other measurement bases used are detailed in the Corporation's annual consolidated financial statements ("Annual Financial Statements").

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these Financial Statements include only significant events and transactions occurring since the Corporation's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Corporation's annual consolidated financial statements. As a result, these Financial Statements should be read in conjunction with the Annual Financial Statements.

These Financial Statements follow the same accounting policies and methods of application as the most recent Annual Financial Statements. However, the most recent Annual Financial Statements disclosed operating income and working capital for two operating segments. Management has determined that the revenue streams and other operating characteristics are not sufficiently distinct to require segmentation disclosures. Accordingly, those disclosures have been discontinued.

## 3. REVENUE

The Corporation disaggregates revenue by two major service lines: (1) "Clickware" and (2) "Voyent Alert" revenue. Both categories include subscription revenue earned on software access licence agreements and support and maintenance revenue earned from providing customer-requested assistance and updates within the reporting period.

In \$	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Revenue by major category</b>				
Clickware	297,614	349,446	613,785	695,092
Voyent Alert	37,699	14,405	69,332	19,605
<b>Total</b>	<b>335,313</b>	<b>363,851</b>	<b>683,117</b>	<b>714,697</b>

**ICESoft Technologies Canada Corp.**  
Notes to the Condensed Consolidated Interim Financial Statements  
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**4. RIGHT OF USE ASSET AND LEASE LIABILITY**

The Corporation is committed under a lease on office space, expiring in October 2021, for future minimum rental payments. The following table reconciles the Corporation's right of use asset associated with its office space:

	<b>\$</b>
<b>Balance as at December 31, 2019</b>	<b>56,207</b>
Amortization	(15,329)
<b>Balance as at June 30, 2020</b>	<b>40,878</b>
Cost	86,865
Accumulated amortization	(45,987)
<b>Net book value</b>	<b>40,878</b>

The required payments, exclusive of occupancy costs, are as follows:

	<b>\$</b>
Remainder of 2020	19,681
2021	35,277
Total lease payments	54,958
Impact of discounting	(6,437)
<b>Total lease liability</b>	<b>48,521</b>
Less: current portion	(34,916)
<b>Lease liability – non-current portion</b>	<b>13,605</b>

Total cash outflow for leases, including occupancy costs, was \$18,257 and \$32,845 for the three and six months ended June 30, 2020 (\$19,458 and \$38,915 for the three and six months ended June 30, 2019). Of these amounts, \$8,691 and \$13,907 consisted of variable payments not included in the measurement of lease liabilities (2019 - \$9,988 and \$19,977).

**5. DEFERRED REVENUE**

Timing differences between invoicing, cash collection, and revenue recognition result in accounts receivable and also result in deferred revenue on the consolidated statements of financial position. Amounts are billed in accordance with the terms of each customer contract. For most contracts, the Corporation receives payments for contract subscriptions prior to satisfying contracted obligations and recognizing revenue, resulting in deferred revenue.

All deferred revenue recorded in 2019 and 2020 relates to certain subscription agreements. Changes in deferred revenue during the periods consist of:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>in \$</b>		
<b>Deferred revenue</b>		
Opening balance	<b>728,899</b>	<b>829,602</b>
Collected	653,788	1,261,786
Recognized in revenue		
From opening balances	(328,117)	(770,003)
From additions in the period	(165,305)	(644,271)
Foreign exchange effect	(75,725)	51,785
<b>Closing balance</b>	<b>813,540</b>	<b>728,899</b>



**ICESoft Technologies Canada Corp.**  
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As at June 30, 2020, revenues allocated to remaining performance obligations from subscription contracts, which extend through to 2022, total approximately \$814,000. Of this amount, approximately \$560,000 is expected to be recognized in the remainder of 2020, \$252,000 in 2021 and \$2,000 in 2022.

**6. TERM LOANS**

A summary of the term loans outstanding is as follows:

<b>in \$</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Government royalty financing payable, repaid in the current period	-	5,968
CEBA note payable, unsecured and interest free, with 25% debt forgiveness if repaid by December 31, 2022	40,000	-
Notes payable to the President and CEO, settled through share issuance in the current period	-	108,058
Short term borrowings from the President and CEO, and accrued interest on the notes above, bearing no interest, unsecured, and due on demand	11,800	5,957
<b>Total debt outstanding</b>	<b>51,800</b>	<b>119,983</b>
Less: current portion	(11,800)	(62,437)
<b>Long-term portion</b>	<b>40,000</b>	<b>57,546</b>

**7. CONVERTIBLE NOTES**

The balance of convertible notes as of June 30, 2020 and December 31, 2019 is reconciled as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Opening Balance</b>	<b>835,645</b>	<b>710,145</b>
Modification of notes	-	(25,305)
Additions	-	51,712
Accretion	-	30,280
Interest accrued	28,917	82,813
Interest paid	(9,025)	(14,000)
Converted to equity (see note 8)	(758,572)	-
<b>Total debt outstanding</b>	<b>96,965</b>	<b>835,645</b>
Less: current portion	96,965	(123,336)
<b>Long-term portion</b>	<b>-</b>	<b>712,309</b>

The outstanding note as at June 30, 2020 bears interest at 12% per annum, is due December 11, 2020, and is convertible into shares and warrants of the Corporation. The balance includes \$1,806 of accrued interest.

**ICESoft Technologies Canada Corp.**  
Notes to the Condensed Consolidated Interim Financial Statements  
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**8. SHARE CAPITAL**

The Corporation is authorized to issue an unlimited number of Preferred Shares without nominal or par value and an unlimited number of Common Shares without nominal or par value.

The Corporation has the following Common Shares issued and outstanding:

	Number of Shares #	Share Capital \$
<b>Balance, December 31, 2018</b>	<b>47,804,490</b>	<b>24,405,501</b>
Issuance of shares with Units for cash (i)	3,024,249	255,272
Conversion of term loans (ii)	1,280,000	108,906
<b>Balance, December 31, 2019</b>	<b>52,108,739</b>	<b>24,769,679</b>
Issuance of shares with Units for cash (iii)	15,212,500	1,157,272
Conversion of convertible notes to Units (iv)	11,639,006	852,187
Conversion of term loans and convertible notes (v)	1,155,781	173,367
<b>Balance, June 30, 2020</b>	<b>80,116,026</b>	<b>26,952,505</b>

- (i) During the year ended December 31, 2019, the Corporation issued 2,791,249 units at a price of \$0.12 per Unit and 233,000 units at a price of \$0.15 per unit for gross proceeds of \$369,900. Each Unit consisted of one common share and one common share purchase warrant. The warrants had an exercise price of \$0.20 per share and expire three years from date of issuance. The warrants were assigned a value of \$114,628 based on the relative fair value of the shares and warrants. The value of the warrants was calculated using the Black-Scholes option pricing model (note 9).
- (ii) On March 29, 2019, the Corporation converted \$158,100 out of \$228,146 of term loans held by a member of management into 1,130,000 Units at \$0.12 per Unit and 150,000 Units at \$0.15 per Unit (note 9). Each Unit consists of one common share in the Corporation and one purchase warrant. Each warrant allows the purchase of one common share at an exercise price of \$0.20 per share. The warrants expire three years after issuance. The warrants were assigned a value of \$49,194 based on the relative fair value of the shares and warrants. The value of the warrants was calculated using the Black-Scholes option pricing model.
- (iii) During the six months ended June 30, 2020, the Corporation issued 15,212,500 Units at a price of \$0.08 per Unit for gross proceeds of \$1,217,000. Each Unit consisted of one common share and one half common share purchase warrant. The warrants have an exercise price of \$0.12 per share and expire two years from date of issuance. The warrants were assigned a value of \$59,728 based on the relative fair value of the shares and warrants. The value of the warrants was calculated using the Black-Scholes option pricing model.
- (iv) In March 2020, the Corporation converted \$705,753 of convertible notes into 11,639,006 Units at a price of \$0.08 per Unit. The total value of the Units issued was \$931,120, of which \$705,753 settled convertible notes, \$49,715 cleared the related Derivative liability balance, \$27,805 was reclassified out of Equity component of convertible notes, and a loss on debt extinguishment of \$147,847 was recognized. Each Unit consisted of one common share and one half common share purchase warrant. The warrants have an exercise price of \$0.12 per share and expire two years from date of issuance. The warrants were assigned a value of \$78,933 based on the relative fair value of the shares and warrants. The value of the warrants was calculated using the Black-Scholes option pricing model.
- (v) In June 2020, the Corporation settled term loans of \$116,790 and convertible notes of \$52,819 through issuance of 1,155,781 common shares at a price of \$0.15 per share. As a result, the Equity component of convertible notes was decreased by \$3,758.

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- (vi) The weighted average number of common shares outstanding used to calculate basic and diluted loss per share is 79,157,965 and 67,336,037 for the three and six months ended June 30, 2020 (three and six months ended June 30, 2019 – 51,011,412 and 49,488,995). The Corporation excluded all convertible notes, warrants, and stock options from the calculation of diluted income per share for the three and six months ended June 30, 2020 and 2019, as they would be anti-dilutive.

## 9. WARRANTS

Warrants are used to recognize the fair value of warrant grants to support financings. When warrants are subsequently exercised, the fair value of such warrants is credited to the share capital account. When warrants expire, their value is credited to Contributed surplus.

	\$
<b>Balance, December 31, 2018</b>	<b>232,286</b>
Warrants issued with Units and convertible notes	302,395
Stock-based compensation	50,943
<b>Balance, December 31, 2019</b>	<b>585,624</b>
Warrants issued with Units	138,661
Warrants issued as stock-based compensation	20,760
Warrant modifications	(78,853)
Warrants expired	(15,371)
<b>Balance, June 30, 2020</b>	<b>650,821</b>

Effective May 22, 2020, the terms of some of the warrants were modified. The modifications included adjusting the exercise price of 4,784,867 of the outstanding warrants from \$0.20 to \$0.15, as well as extending the expiry date of 13,282,732 of the outstanding warrants to March 26, 2022 that were previously set to expire earlier than that date. These modifications resulted in a net reclassification of \$78,853 from Warrants to Contributed Surplus.

A summary of warrant transactions is as follows:

	Number of Warrants	Weighted average exercise price	Expiry Date
<b>Outstanding at December 31, 2018</b>	<b>12,232,482</b>	<b>0.20</b>	
Issued throughout 2019	4,304,249	0.20	Throughout 2022
Issued Mar 2019 as stock-based compensation	750,000	0.12	March 2022
Issued Dec 2019 with convertible debt	2,400,000	0.20	December 2023
<b>Outstanding at December 31, 2019</b>	<b>19,686,731</b>	<b>0.19</b>	
Issued with Units for cash	7,606,250	0.12	March 2022
Issued in debt conversion	5,819,503	0.12	March 2022
Issued as stock-based compensation	527,917	0.12	March 2022
Issued as stock-based compensation	500,000	0.10	June 2025
Warrants expired	(200,000)	0.13	
<b>Outstanding at June 30, 2020</b>	<b>33,940,401</b>	<b>0.16</b>	

No warrants were exercised during the six months ended June 30, 2020 or the year ended December 31, 2019. The weighted average remaining life of all warrants outstanding at June 30, 2020 is 1.88 years (December 31, 2019 – 2.16 years).

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The fair value of the warrants used in the input into the bifurcation of Units and of other warrants issued was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<b>Six months ended June 30, 2020</b>	<b>Year ended December 31, 2019</b>
Fair Value of warrants	\$0.01	\$0.04
Exercise Price	\$0.11	\$0.20
Share Price	\$0.09	\$0.08
Dividend Yield	-	-
Forfeiture %	-	-
Risk-free interest rate	1.00%	1.61%
Expected life of warrants	2 years	3 years
Expected volatility	35.00%	100.00%

## 10. CONTRIBUTED SURPLUS

Contributed surplus is used to recognize the fair value of stock options granted. When options are subsequently exercised, the fair value of such options in contributed surplus is credited to share capital.

<b>Contributed Surplus</b>	<b>\$</b>
<b>Balance, December 31, 2018</b>	<b>3,180,746</b>
<b>Balance, December 31, 2019</b>	<b>3,180,746</b>
Options granted	147,458
Warrant modifications – reclassification to contributed surplus	78,853
Expiration of warrants – reclassification to contributed surplus	15,371
<b>Balance, June 30, 2020</b>	<b>3,422,428</b>

The Corporation has a stock option plan ("the Plan") under which the Board of Directors of the Corporation may grant to directors, officers, employees and others providing services to the Corporation, non-transferable options to purchase common shares, exercisable for a period of five to seven years from the date of grant.

A summary of the Plan transactions for the six months ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

	<b>June 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Number of Options</b>	<b>Weighted average exercise price</b>	<b>Number of Options</b>	<b>Weighted average exercise price</b>
<b>Outstanding at beginning of period</b>	4,630,000	0.14	4,630,000	0.14
Options granted	5,115,000	0.10	-	-
Options expired	(4,030,000)	0.13	-	-
<b>Outstanding at end of period</b>	<b>5,715,000</b>	<b>0.12</b>	<b>4,630,000</b>	<b>0.14</b>
<b>Exercisable at end of period</b>	<b>5,715,000</b>	<b>0.12</b>	<b>4,630,000</b>	<b>0.14</b>

The weighted average remaining life of all options outstanding at June 30, 2020 is 3.46 years (December 31, 2019 – 0.32 years).

No options were exercised during the six months ended June 30, 2020 or the year ended December 31, 2019.

**ICESoft Technologies Canada Corp.**  
Notes to the Condensed Consolidated Interim Financial Statements  
(\$CDN) (Unaudited)  
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**11. FINANCE EXPENSE**

	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Interest on term loans	676	1,716	2,161	4,538
Interest on convertible notes	3,323	23,647	28,917	41,067
Interest on lease liability	2,357	2,548	5,019	5,287
Other finance expense	2,183	(1,178)	4,310	3,967
	<b>8,539</b>	<b>26,733</b>	<b>40,407</b>	<b>54,859</b>

**12. STOCK-BASED COMPENSATION**

	Three months ended		Six months ended	
	June 30		June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Issuance of stock options	147,458	-	147,458	-
Issuance of warrants to brokers	-	-	4,659	-
Issuance of warrants to management	16,101	-	16,101	-
	<b>163,559</b>	<b>-</b>	<b>168,218</b>	<b>-</b>

**13. RELATED PARTY TRANSACTIONS AND PERSONNEL COSTS**

The Corporation considers its key management personnel to be its Chief Executive Officer; Chief Financial Officer; and directors. Key management compensation is comprised of payroll, stock-based compensation and consulting fees paid to key management and companies controlled by key management. During the three and six months ended June 30, 2020, key management compensation amounted to \$183,726 and \$217,683 (three and six months ended June 30, 2019 - \$35,290 and 70,502), split between general and administrative, marketing and customer operations, research and development expenses and stock-based compensation based on work performed.

The Corporation incurred interest expense of \$1,343 and \$25,658 on term loans and convertible notes held by key management personnel during the three and six months ended June 30, 2020 (three and six months ended June 30, 2019 - \$18,000 and \$35,094). Key management personnel have accrued liabilities owing from the Corporation, including payroll and vacation accruals, in the amount of \$532,976 at June 30, 2020 (December 31, 2019 - \$512,555) and hold term loans and convertible notes payable from the Corporation totaling \$11,800 including accrued interest at June 30, 2020 (December 31, 2019 - \$781,755). These notes were issued in the normal course of business.

Total personnel expenses for employees, consultants, directors and management included in expenses in the consolidated statement of loss and comprehensive loss total \$396,395 and \$763,325 for the three and six months ended June 30, 2020 (three and six months ended June 30, 2019 - \$389,116 and \$781,693), split between general and administrative, marketing and customer operations, and research and development expenses, based on work performed.

#### **14. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Due to the short-term nature of cash, accounts receivable, prepaid expenses and deposits, and accounts payable and accrued liabilities, the Corporation determined that the carrying amounts of these financial instruments approximate their fair value. The carrying amounts of the term loans, convertible notes, and lease liability approximate their fair value due either to the interest rate approximating market rates or because of the short period to maturity.

#### **15. SUBSEQUENT EVENTS**

(a) Global pandemic

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. While the Corporation is not currently seeing any impact of these developments on the financial results and condition of the Corporation and its subsidiaries, it is not possible to reliably estimate the impact of the COVID-19 outbreak on such financial results and conditions in future periods.