

ICESoft Technologies Canada Corp.
Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(\$CAD)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ICEsoft Technologies Canada Corp.

Opinion

We have audited the consolidated financial statements of ICEsoft Technologies Canada Corp. and its subsidiaries (together the “Company”), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders’ deficiency and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which describes events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 27, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management’s Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 29, 2022

ICEsoft Technologies Canada Corp.
Consolidated Statements of Financial Position
(\$CAD)
As at

	December 31, 2021 \$	December 31, 2020 \$
ASSETS		
Current Assets		
Cash	712,506	167,551
Accounts receivable (note 19(b))	82,031	66,336
Prepaid expenses and deposits	34,936	21,031
Total Current Assets	829,473	254,918
Property and equipment	11,147	1,700
Right-of-use asset	-	17,562
TOTAL ASSETS	840,620	274,180
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (notes 6 and 17)	958,691	799,941
Current portion of lease liability	-	17,870
Current portion of deferred revenue (note 7)	623,509	532,354
Current portion of term loans (notes 8 and 17)	-	10,400
Current portion of convertible notes (note 9)	94,915	94,998
Total Current Liabilities	1,677,115	1,455,563
Deferred revenue (note 7)	51,193	79,013
Term loans (note 8)	25,892	21,536
Total Liabilities	1,754,200	1,556,112
Shareholders' Deficiency		
Share capital (note 11)	27,826,697	26,861,053
Equity portion of convertible notes (note 9)	6,074	6,074
Warrants (notes 11 and 12)	1,253,223	948,114
Reserves (note 13)	3,756,366	3,541,349
Foreign currency translation reserve	(1,852,695)	(1,824,642)
Deficit	(31,903,245)	(30,813,880)
Total Shareholders' Deficiency	(913,580)	(1,281,932)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	840,620	274,180

Going concern (note 2(c))
Subsequent event (note 21)

Approved on behalf of the Board of Directors

"Brian McKinney", Director

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

ICESoft Technologies Canada Corp.
Consolidated Statements of Loss and Comprehensive Loss
(\$CAD)
For the years ended

	December 31, 2021 \$	December 31, 2020 \$
Revenue (note 5)		
Subscription income	1,255,133	1,286,876
Other	22,426	-
Total Revenue	1,277,559	1,286,876
Cost of Revenue		
Information services (note 20)	326,780	245,633
Total Cost of Revenue	326,780	245,633
Total Gross Profit	950,779	1,041,243
Expenses		
Research and development (notes 14 and 20)	1,088,162	1,090,426
General and administrative (notes 14 and 20)	397,291	362,550
Sales, marketing, and operations (notes 14 and 20)	556,166	351,397
Stock-based compensation (notes 13 and 17)	140	273,034
Amortization of right-of-use asset	17,562	29,061
Total Expenses	2,059,321	2,106,468
Net Operating Loss	(1,108,542)	(1,065,225)
Other Income (Expense)		
Other income (expense)	-	(8,989)
Government assistance (note 15)	39,393	102,211
Loss on debt extinguishment (note 9)	-	(7,773)
Gain (loss) on valuation of derivative liability (note 9)	5,085	(121,565)
Loss on inducement to settle debt (note 9)	-	(304,397)
Gain on lease modification	-	7,881
Finance expense (notes 16 and 17)	(24,582)	(83,655)
Foreign exchange	(719)	(14,482)
Total Other Income (Expense)	19,177	(430,769)
Net Loss	(1,089,365)	(1,495,994)
Other Comprehensive Income (Loss)		
Items which may be subsequently reclassified to profit or loss		
Translation of foreign operations	(28,053)	(2,985)
Comprehensive loss	(1,117,418)	(1,498,979)
Loss per share - basic and diluted (note 11)	(0.01)	(0.02)
Weighted average number of common shares outstanding – basic and diluted (note 11)	90,110,547	73,771,196

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

ICESoft Technologies Canada Corp.
Consolidated Statements of Changes in Shareholders' Deficiency
(\$CAD)
For the years ended

	Share Capital	Equity component of convertible notes	Warrants	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
	\$	\$	\$	\$	\$	\$	\$
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 (notes 11, 12 and 13)	956,650	-	183,457	-	-	-	1,140,107
Issuance of units on debt conversion and settlement	1,160,587	(29,616)	150,062	95,565	-	-	1,376,598
Equity issuance costs	(25,863)	-	(5,018)	-	-	-	(30,881)
Stock-based compensation (note 13)	-	-	22,919	250,115	-	-	273,034
Warrants issued as equity issuance costs (note 12)	-	-	25,993	-	-	-	25,993
Expiration of warrants (note 12)	-	-	(14,923)	14,923	-	-	-
Net loss and comprehensive loss	-	-	-	-	(1,495,994)	(2,985)	(1,498,979)
Balance December 31, 2020	26,861,053	6,074	948,114	3,541,349	(30,813,880)	(1,824,642)	(1,281,932)
Issuance of units (notes 11 and 12)	973,149	-	526,851	-	-	-	1,500,000
Equity issuance costs (note 11)	(72,382)	-	(41,989)	-	-	-	(114,371)
Issuance of units on settlement of debt (notes 8, 11 and 12)	64,877	-	35,123	-	-	-	100,000
Stock-based compensation (note 13)	-	-	-	140	-	-	140
Expiration of warrants (note 12)	-	-	(214,876)	214,876	-	-	-
Net loss and comprehensive loss	-	-	-	-	(1,089,365)	(28,053)	(1,117,418)
Balance December 31, 2021	27,826,697	6,074	1,253,223	3,756,366	(31,903,245)	(1,852,695)	(913,580)

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

ICEsoft Technologies Canada Corp.

Consolidated Statements of Cash Flows

(\$CAD)

For the years ended

	December 31, 2021	December 31, 2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(1,089,365)	(1,495,994)
Add back (deduct) items not involving cash:		
Finance expense (note 16)	4,827	62,910
Stock-based compensation (note 13)	140	273,034
Loss on debt extinguishment	-	7,773
(Gain) loss on valuation of derivative liability (note 9)	(5,085)	121,565
Loss on inducement to settle debt (note 9)	-	304,397
Gain on lease modification	-	(7,881)
Government assistance (note 15)	-	(10,000)
Amortization of property and equipment	1,280	-
Amortization of right-of-use asset	17,562	29,061
	(1,070,641)	(715,135)
Changes in non-cash working capital items:		
Accounts receivable	(15,695)	(19,660)
Prepaid expenses and deposits	(13,905)	1,489
Accounts payable and accrued liabilities	158,750	(144,006)
Deferred revenue	132,488	(125,996)
Net cash used in operating activities	(809,003)	(1,003,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units (notes 11 and 12)	1,415,631	1,122,769
Proceeds from term loans (note 8)	-	40,000
Payment of lease liability	(17,870)	(27,105)
Net cash generated by financing activities	1,397,761	1,135,664
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisition of property and equipment	(10,728)	(1,700)
Net cash used in investing activity	(10,728)	(1,700)
Effect of change in foreign exchange rates on cash	(33,075)	(2,985)
Change in cash for the year	544,955	127,671
Cash, beginning of the year	167,551	39,880
Cash, end of the year	712,506	167,551
Supplementary information		
Interest paid – operating activities	6,190	7,441
Interest paid – financing activities	13,564	13,311
Income taxes paid (recovered)	-	-

See note 8 (ii) and note 16 for the details of non-cash transactions.

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

1. NATURE OF OPERATIONS

ICESoft Technologies Canada Corp. (the "Corporation" or "ICESoft"), was incorporated on May 10, 2002 under the Canada Business Corporations Act. ICESoft and its subsidiaries develop and license a comprehensive suite of web technologies and Software as a Service (SaaS) solutions for both enterprise and government clients. The Corporation's primary products consist of the Clickware products including ICEfaces and ICEpdf, and the SaaS-based Voyent Alert! Notification Service licensed to government and enterprise clients on a subscription basis.

ICESoft's head office is located at 261, 3553 31st Street NW, Calgary, Alberta, Canada, T2L 2K7.

The consolidated financial statements of the Corporation as at and for the years ended December 31, 2021 and 2020 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.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee (IFRIC's).

The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 18, 2022.

(b) Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value. The consolidated financial statements have been prepared on an accrual basis except for the Statements of Cash Flows.

(c) Going concern

These consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Corporation will continue to realize its assets and discharge its liabilities for the foreseeable future. Management is aware, in making its going concern assessment, of events and conditions that indicate the existence of a material uncertainty that may cast significant doubt upon the Corporation's ability to continue as a going concern.

As at December 31, 2021, the Corporation had negative net working capital of \$847,642 (2020 – \$1,200,645) and an accumulated deficit of \$31,903,245 (2020 - \$30,813,880). The Corporation incurred a net loss during the year ended December 31, 2021 of \$1,089,365 (2020 – \$1,495,994). The continuing operations of the Corporation are dependent on its ability to manage cash resources, generate additional revenue from its software by obtaining greater market share, and obtain equity or debt financing to meet its obligations and repay its liabilities arising from normal business obligations when they become due.

ICEsoft Technologies Canada Corp.
Notes to the Consolidated Financial Statements
(\$CAD)
For the years ended December 31, 2021 and 2020

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 December 31, 2021 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.

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"), which could negatively impact the Corporations' ability to continue as a going concern. The Corporation did not see a significant impact on financial results due to COVID-19 in 2020 or 2021. The extent to which COVID-19 will impact the Corporation and its subsidiaries future financial 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 COVID-19 actions taken to contain COVID-19 or its impact, amount others.

These consolidated 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 which may be necessary were the going concern assumption inappropriate. These adjustments could be material.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD") which is the functional currency of the Corporation and ICEsoft Technologies Holdings Ltd. The functional currency of ICEsoft Technologies Inc. is U.S. dollars ("US").

(e) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany transactions have been eliminated in these consolidated financial statements. Subsidiaries are those entities that the Corporation controls. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases. The accounting policies of the subsidiaries are consistent with the policies adopted by the Corporation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Revenue Recognition

The Corporation's primary sources of revenue under its contracts with customers are the sale of software licenses, the subsequent provision of post-contract customer support ("PCS") related to that software, software provided via a Software as a Service ("SaaS") model, and ad hoc service and maintenance related to the corporation's two service lines (Voyent Alert! and ICEfaces). The PCS includes updates, support, maintenance and training. The various distinct performance obligations contained in the Corporation's contracts with its customers and the timing of revenue recognition on those obligations is as follows:

Performance Obligation	Timing of the satisfaction of the performance obligation	Pattern of transfer of control
Licenses when ongoing updates are critical to the utility of the software	Rateably over the term of the subscription	Over time
Licenses when ongoing updates are not critical to the utility of the software	Upon provision of the software	At a point in time
Support, maintenance and updates (when those updates are not critical to the utility of the software)	Rateably over the term of the subscription	Over time
Ad hoc services and maintenance	As the services are provided	At a point in time
Subscription under SaaS model	Rateably over the term of the subscription	Over time

Licenses when ongoing updates are not critical to the utility of the software and support, maintenance and updates (when those updates are not critical to the utility of the software) are included in subscription income in the consolidated statements of loss and comprehensive loss.

Typical payment terms for licensing, software, maintenance and updates are upon signing of the subscription. Payment for ad hoc service and maintenance is typically upon completion of the service. The Corporation applies the practical expedient in IFRS 15 and does not adjust the amount of consideration for the effects of any financing components on subscriptions with terms of one year or less. Any discounts offered are booked to revenue on completion of a sale.

SaaS allows a customer access to the Corporation's software on a platform hosted by a third party without taking possession of the software. SaaS is typically offered on a fixed-term basis. Where fees are fixed for the term, revenue is recognized rateably over the term commencing when the customer has the right to access the platform. The Corporation allocates the transaction price to its performance obligations using their relative stand-alone prices.

Other Revenue consists of Voyent Alert! user Fees. This revenue is included as part of the ad hoc services and maintenance performance obligation whereby the revenue is recognized as the services are provided.

(b) Research and development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life. The Corporation did not have any development costs that met the capitalization criteria for the years ended December 31, 2021 or 2020.

(c) Leases

Contractual arrangements, which signify a right to control the use of an identified asset for a period of time are considered leases. Each contractual arrangement is assessed to determine if the Corporation obtains substantially all the economic benefit from use of the identified asset. Leases for which the Corporation is a lessee are capitalized at the earlier of commencement of the lease term or when the asset becomes available for use, at the present value of the lease payments applying the implicit interest rate, if readily determined, or the Corporation's incremental borrowing rate. Adjustments to the lease asset are made if the contractual arrangement includes costs to dismantle the asset or any incentives received. Generally, lease components are considered in the present value calculation, with non-lease components expensed as incurred. Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. The lease liability is re-measured when there is a change in future lease payments arising from a change in rate, if there is a change to the Corporation's expected residual value guarantee payable, or if there are changes in the assessment for exercising a termination or extension option. If this occurs, a corresponding adjustment to the carrying value of the right-of-use asset is completed. If the carrying amount of the right-of-use asset has already been reduced to zero, the adjustment is recognized in profit or loss. The expenses for these leases are recognized systematically over the lease term in general and administrative expenses.

(d) Foreign currency translation

Foreign currency transactions are initially recorded in the individual entity's functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the period-end exchange rate. All foreign currency adjustments are recognized in profit or loss.

Financial statements of subsidiaries for which the functional currency is not the presentation currency are translated into Canadian dollars. All asset and liability accounts are translated at the year end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income or loss.

(e) Financial instruments

Financial instruments are measured at fair value on initial recognition, which is typically the transaction price unless a significant financing component is present. Subsequent measurement is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income". The classification of financial assets is determined by their characteristics and their context in the Corporation's business model.

The Corporation classifies financial assets and liabilities as follows:

- (i) Amortized cost: Cash, accounts receivable, accounts payable and accrued liabilities, term loans and convertible notes (excluding equity portion) are held by the Corporation to collect or pay contractual cash flows and are measured at amortized cost. Financial instruments measured at amortized cost are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method, which uses the effective interest rate to discount the expected future cash inflows and outflows expected over the life of the financial instrument, less any impairment losses.
- (ii) Fair value through profit or loss: Financial assets and liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including interest expense are recognized in profit or loss.
- (iii) Fair value through other comprehensive income: The Corporation has no financial instruments that do not meet the criteria to be measured at amortized cost or fair value through profit or loss and, accordingly, no financial instruments are measured at fair value through other comprehensive income.

The Corporation derecognizes a financial asset when the contractual right to the cash flow expires, or the right to receive the contractual cash flows from the financial asset and substantially all the risks and rewards of ownership of the financial asset are transferred. The Corporation derecognizes a financial liability when the contractual obligations are discharged, cancelled or expired.

Impairment

(i) Financial assets

The Corporation recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if, after initial recognition of the financial asset, one or more indicators exist that reduce estimated future cash flows from the financial asset and that impact can be reliably measured. The Corporation applies the simplified approach to expected credit loss measurement, which uses a lifetime expected impairment to determine the expected credit loss. The Corporation uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through an allowance account, and the loss is recognized in selling, general and administrative expenses.

(f) Compound financial instruments:

The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the issuance date, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability based on amortized cost until the instrument is converted or matures. The equity component is determined by deducting the liability component from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement.

All financial derivative contracts are classified as fair value through profit or loss and measured at fair value. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. The embedded derivative liability is calculated using the Black-Scholes option pricing model.

Some convertible notes have an embedded derivative because these notes could be converted into a variable number of common shares of the Corporation. The fair value of the derivatives were calculated using the Black-Scholes option pricing model, based on the stock prices, volatility and term remaining at issuance and at the reporting date. If these convertible notes are converted, the value of the derivative liabilities are included in share capital along with the proceeds from the conversion. If these convertible notes default or otherwise mature without conversion, the related derivative liability is reversed through the profit or loss.

(g) Equity

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all its liabilities. Share capital, options and warrants are classified as equity. Incremental costs directly attributable to the issue of share capital and warrants are recognized as a deduction from equity. The Corporation allocates the proceeds from each unit issued to the common share and the warrant components based on their relative fair value, which is based on quoted market prices and the Black-Scholes option pricing model.

(h) Stock-based compensation

The Corporation uses the fair value method for valuing stock-based compensation. Under this method, the cost attributed to stock options and warrants granted is measured at the fair value using the Black-Scholes option pricing model at the grant date; compensation cost for options is expensed over the vesting period with a corresponding increase to reserves. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options the previously recognized value in reserves is recorded as an increase to share capital along with exercise proceeds collected.

In addition, where the terms of a stock option or warrant are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

The Corporation measures stock-based payments to non-employees at the date of receipt of the goods or services at the fair value of the goods or services received. If the fair value cannot be measured reliably, the fair value of the options or warrants granted, measured using the Black Scholes option pricing model will be used.

(i) Taxation and tax credits

The income tax provision includes current and deferred tax. This expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income or equity. In these specific cases, the income tax expense is recognized in other comprehensive income or equity, respectively.

Deferred taxes are accounted for using the liability method. Under this approach, deferred tax assets and liabilities are determined based on the differences between the carrying amounts and the tax bases of assets and liabilities and are measured using the enacted or substantively enacted tax rates and laws. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized to the extent that it is probable there will be sufficient taxable profits against which to utilize the benefits in the future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax receivables and payables are obligations or claims for the current and prior periods to be paid to (or recovered from) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed based on tax profit which differs from net profit. This calculation was made using tax rates and laws which are enacted or substantively enacted at the end of the reporting period.

(j) Government grants

The Corporation records, presents and discloses government grants received in accordance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Government grants received are recognized in profit or loss as other income when there is reasonable assurance the Corporation will comply with the conditions attached to them and that the grants will be received. This is determined based on the Company's past experience with claims and collections. Government grants include COVID-19 wage subsidies and the benefits of government loans at below market rates of interest.

Tax credits, including research and development tax credits, are not recognized until there is reasonable assurance that the Corporation will meet the eligibility criteria of the credits and that they will be received. Tax credits are recognized as a deduction to the related expenses.

(k) Fair value measurement

A number of the Corporation's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Corporation classifies the fair value of financial instruments according to the following hierarchy based on the observable inputs used to value the instruments:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

(l) Per share amounts

Basic per share amounts are calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year. Diluted per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments. The Corporation computes the dilutive impact of common shares assuming the proceeds received from the pro forma exercise of in-the-money share options or warrants are used to purchase common shares at average market prices. Anti-dilutive instruments are not included in the dilutive per share amounts calculation.

(m) Accounting pronouncements issued but not yet effective

Annual Improvements to IFRS (2018-2020) Cycle

In May 2020, the IASB issued amendments as part of its annual improvement process. The amendments include guidance on which fees an entity may include when applying the “10 per cent” test in assessing whether or not to derecognize a financial liability in accordance with IFRS 9. The Corporation intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2022.

Classification of Liabilities as Current or Non-current

In January 2020, an IAS 1 amendment was issued to address inconsistencies with the application of the standards over classification of current and non-current liabilities. The amendment provides guidance on whether debt and other liabilities with an uncertain settlement should be classified as current or non-current in the statement of financial position. This amendment is effective on January 1, 2023. The Corporation intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this standard has not yet been determined.

Disclosure of Accounting Policies

In February 2021, an IAS 1 amendment was issued to require entities to disclose their material accounting policies rather than their significant accounting policies. Guidance has been provided to assist entities with applying materiality judgements to accounting policies. This amendment is effective on January 1, 2023. The Corporation intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this standard has not yet been determined.

Definition of Accounts Estimates

In February 2021, an IAS 8 amendment was issued to introduce a definition of accounting estimates and provide additional clarifications to entities to assist in distinguishing accounting policies from accounting estimates. The amendment is effective on January 1, 2023. The Corporation intends to adopt this amendment in its consolidated financial statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this standard has not yet been determined.

Provisions, Contingent Liabilities and Contingent Assets

In May 2020, an IAS 37 amendment was issued regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in IAS 37 specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The extent of the impact of the adoption of this standard has not yet been determined.

All other IFRSs and amendments issued but not yet effective have been assessed by the Corporation and are not expected to have material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets, liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its consolidated financial statements.

(a) Areas of judgment

i. Revenue

The Corporation makes judgments in determining whether a performance obligation is distinct (i.e., if a service is separately identifiable from other services provided and if the customer can benefit from it). Performance obligations are accounted for separately if they are distinct. The determination as to whether the licenses are separable from its related updates is based on whether those updates are critical to the software's utility.

ii. Settlement of convertible debt

The Corporation makes judgments in determining whether settlement of convertible debt via unit issuances constitutes prepayment of debt via units or inducement to convert debt. Inducement to convert debt results in a gain or loss on inducement related to the difference between the values of equity instruments which would have been issued on conversion as compared to those that were issued under the modified terms.

(b) Assumptions and critical estimates

i. Compound financial instruments

Certain financial instruments are comprised of a liability and an equity component, or multiple liability components. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The determination of the amount allocated to each component requires management to estimate either elements and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible loans, or elements and characteristics of the Black-Scholes option pricing model, including future volatility in the Corporation's share prices, the expected lives of the conversion features, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of public companies over the preceding period equaling the expected lives of the conversion features.

ii. Stock-based compensation

The amounts recognized relating to the fair value of stock options and warrants are based on estimates of future volatility in the Corporation's share prices, the expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of public companies over the preceding period equaling the expected lives of the Corporation's options.

5. 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.

	December 31, 2021 \$	December 31, 2020 \$
Revenue by major category		
Clickware		
Subscription income	946,611	1,121,598
Voyent Alert		
Subscription income	308,522	165,278
Customizations and upgrades	2,950	-
User fees	19,476	-
Total	1,277,559	1,286,876

ICESoft Technologies Canada Corp.
Notes to the Consolidated Financial Statements
(\$CAD)
For the years ended December 31, 2021 and 2020

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
	\$	\$
Trade payables	338,785	180,751
Payroll liabilities	619,906	619,190
Closing balance	958,691	799,941

Trade accounts payable are non-interest bearing and are normally due on 30 to 60 day terms. As at December 31, 2021, the Corporation has \$70,582 (2020 - \$24,887) in trade accounts payable beyond 60 days.

7. 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 2020 and 2021 relates to certain subscription agreements. Changes in deferred revenue during the years consists of:

	December 31, 2021	December 31, 2020
	\$	\$
Deferred revenue		
Opening balance	611,367	728,899
Sales collected	1,269,234	1,079,932
Recognized in revenue		
From opening balances	(611,367)	(728,899)
From additions in the year	(645,776)	(566,689)
Foreign exchange effect	51,244	98,124
Total deferred revenue	674,702	611,367
Less: current portion	(623,509)	(532,354)
Long-term portion	51,193	79,013

As at December 31, 2021, revenues allocated to remaining performance obligations from subscription contracts, extending through to 2024, total \$674,702. Of this amount, \$623,509 is expected to be recognized in 2022, \$43,532 is expected to be recognized in 2023 and \$7,661 is expected to be recognized in 2024.

8. TERM LOANS

A summary of the term loans outstanding is as follows:

	December 31, 2021 \$	December 31, 2020 \$
Canada Emergency Business Account (CEBA) loan (i)	25,892	21,536
Short term borrowings from the President and CEO (ii)	-	10,400
Total debt outstanding	25,892	31,936
Less: current portion	-	(10,400)
Long-term portion	25,892	21,536

- (i) During the year ended December 31, 2020, the Corporation received a \$40,000 line of credit under the Government of Canada's CEBA loan program bearing interest at 0%. The terms are as follows:
- (a) On January 1, 2022, the line of credit automatically converted to a two-year term loan bearing interest at 0%, to be repaid on December 31, 2023. There is an option to extend the loan by two years on December 31, 2023, and if this extension is utilized, the term loan will mature on December 31, 2025, at which time the balance must be repaid in full.
- (b) The loan is interest-free until January 1, 2024. Commencing January 1, 2024, interest accrues on the outstanding balance at a rate of 5% per annum, payable monthly.
- (c) If \$30,000 of the balance of the loan is repaid in full on or before December 31, 2023, the remaining \$10,000 balance of the term loan will be forgiven
- (ii) During the year ended December 31, 2021, notes payable to the President and CEO of \$10,400 were settled in units at a price of \$0.05 per unit (notes 11 and 12).

9. CONVERTIBLE NOTES

The balance of convertible notes as of December 31, 2021 and December 31, 2020 is reconciled as follows:

	December 31, 2021 \$	December 31, 2020 \$
Opening Balance	94,998	835,645
Modification of notes (ii)	(5,085)	(5,062)
Accretion	4,827	27,445
Interest accrued (v)	12,175	35,174
Interest paid	(12,000)	(17,026)
Conversion of notes (iii), (iv)	-	(781,178)
Total debt outstanding	94,915	94,998
Less: current portion	(94,915)	(94,998)
Long-term portion	-	-

- (i) Upon the initial issuance of the convertible note in 2018, the Corporation determined the fair value of the liability by discounting the expected future cash flows of the liability component at a market rate of interest of 18% for non-convertible debt. The residual value assigned to equity was bifurcated between the conversion feature of the note and the detachable warrant based on their respective values as determined by the Black-Scholes option pricing model. In 2018, \$6,074 was assigned to the equity conversion feature of the note.
- (ii) During the year ended December 31, 2020, the Corporation extended the maturity date of the only outstanding convertible debt with a face value of \$100,000 by one year to December 11, 2021. On November 15, 2021, the Corporation once again extended the maturity of the convertible debt by one year. The extended convertible note now expires on December 11, 2022. The convertible note is secured by all assets, including the intellectual property, of the Corporation. As part of the issuance, the note holder was entitled to warrants which can be converted to common shares. There has been no change to the expiry date of the warrants, December 1, 2022, due to this extension.
- (iii) During the year ended December 31, 2020, the Corporation completed an equity financing transaction in excess of \$900,000 and therefore triggered the automatic conversion option. At the date of the conversion, the derivative liability connected to the convertible note was adjusted to fair value, resulting in a \$121,565 loss on valuation adjustment. The \$240,000 convertible note plus \$7,733 of accrued interest was then converted to 3,096,658 units at a rate of \$0.08 per unit (note 12).
- (iv) During the year ended December 31, 2020, in line with its equity financing, the Corporation offered holders of convertible notes, which were convertible at a rate of \$0.15 per share, the ability to convert the notes at a reduced rate of \$0.08 per unit, being the price at which units were being sold in the equity financing. Principal of \$550,115 was converted to 3,779,780 units, along with related interest of \$135,740. This inducement to convert resulted in a \$304,397 loss on inducement related to the difference between the \$0.15 per share contractual conversion price and the actual conversion rate of \$0.08 per unit (note 12).
- (v) The outstanding note as at December 31, 2021 bears interest at 12% per annum and is due December 11, 2022. The note is convertible to common shares at a conversion price of \$0.15 per share. In addition, for each dollar of principal, the purchaser received one warrant that can be converted to ten common shares of the Corporation at a purchase price of \$0.20 per shares. During the year ended December 31, 2020, an additional 300,000 warrants with the same terms were granted due to the extension of the notes maturity date, as discussed in (ii) above.

10. INCOME TAXES

The income tax provision differs from the amount that would be computed by applying the statutory income tax rates to profit or loss before income taxes.

The reconciliation of the differences is as follows:

ICEsoft Technologies Canada Corp.
Notes to the Consolidated Financial Statements
(\$CAD)
For the years ended December 31, 2021 and 2020

	December 31, 2021 \$	December 31, 2020 \$
Loss before income taxes	(1,089,365)	(1,495,994)
Weighted average statutory income tax rate	21.26%	24.09%
Expected income tax recovery	(232,000)	(360,339)
Change in unrecognized deferred tax asset	23,000	162,668
Prior year adjustment to actual	-	2,932
Effect of change in tax rates	207,000	5,992
Stock-based compensation	-	65,528
Other	2,000	123,219
Income tax recovery	-	-

The effective tax rate has decreased due to changes in income and losses between the Canadian and US companies.

The net deferred tax asset is comprised of the following temporary differences:

	December 31, 2021 \$	December 31, 2020 \$
Non-capital losses	2,343,000	2,320,810
Property and equipment	2,000	1,190
Unrecognized deferred tax asset	(2,345,000)	(2,322,000)
Deferred tax asset	-	-

As at December 31, 2021, the Corporation has non-capital loss carry forwards of approximately \$9,250,200 (2020 - \$8,183,000) which expire from 2024 to 2041. The Corporation also has US non-capital loss carry forwards of approximately US \$1,227,000 which expire from 2033 to 2035 and US \$213,000 which can be carried forward indefinitely (2020 - US \$1,389,000). The Corporation also has tax deductible balances of \$Nil (2020 - \$4,110), relating to property and equipment, which have not been recognized on the consolidated statements of financial position.

11. 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. No Preferred shares were issued in the current or prior year.

The Corporation has the following Common Shares issued and outstanding:

ICESoft Technologies Canada Corp.
Notes to the Consolidated Financial Statements
(\$CAD)
For the years ended December 31, 2021 and 2020

	Number of Shares #	Share Capital \$
Balance, December 31, 2019	52,108,739	24,769,679
Issuance of shares with units for cash (i)	15,212,500	956,650
Issuance of shares on settlement of notes (ii and iii)	12,794,786	1,160,587
Share issuance costs	-	(25,863)
Balance, December 31, 2020	80,116,025	26,861,053
Issuance of shares with units for cash (iv)	30,000,000	973,149
Issuance of shares with units on settlement of debt (v)	2,000,000	64,877
Share issuance costs	-	(72,382)
Balance, December 31, 2021	112,116,025	27,826,697

- (i) During the year ended December 31, 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 the date of issuance. The warrants were assigned a fair value of \$195,751, less issuance costs, based on the relative fair value of the shares and warrants. The fair value of the warrants was calculated using the Black-Scholes option pricing model.
- (ii) During the year ended December 31, 2020, the Corporation issued 11,639,005 units at \$0.08 per unit on conversion of convertible notes and interest totalling \$926,628, which includes 6,876,438 units issued as part of an inducement to convert convertible debt. This inducement to convert resulted in a \$304,397 loss on inducement and addition to share capital, related to the difference between the \$0.15 per share contractual conversion price and the actual conversion rate of \$0.08 per unit. 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 the date of issuance. The warrants were assigned a fair value of \$149,768, less issuance costs, based on the relative fair value of the shares and warrants.
- (iii) During the year ended December 31, 2020, the Corporation also issued 1,155,781 shares on settlement of convertible notes and notes payable owed to the President and CEO, at a price of \$0.15 per share. This share settlement above market price of \$0.067 per share resulted in an addition to reserves, as a capital contribution.
- (iv) During the year ended December 31, 2021, the Corporation issued 30,000,000 units at a price of \$0.05 per unit for gross proceeds of \$1,500,000. Each unit consisted of one common share and one common share purchase warrant. The warrants have an exercise price of \$0.08 per share and expire three years from the date of issuance. The warrants were assigned a fair value of \$526,851, less issuance costs, based on the relative fair value of the shares and warrants.
- (v) During the year ended December 31, 2021, the Corporation issued 2,000,000 units on the settlement of a term loan, note payable, and deferred wages owed to the President and CEO, at a price of \$0.05 per unit (note 8). Each unit consists of one common share and one common share purchase warrant. The warrants have an exercise price of \$0.08 per share and expire three years from the date of issuance. The warrants were assigned a fair value of \$35,124, less issuance costs, based on the relative fair value of the shares and warrants.

ICESoft Technologies Canada Corp.
Notes to the Consolidated Financial Statements
(\$CAD)
For the years ended December 31, 2021 and 2020

- (vi) The weighted average number of common shares outstanding used to calculate basic and diluted loss per share is 90,110,547 for the year ended December 31, 2021 (2020 – 73,771,196). The Corporation excluded all convertible notes, warrants, and stock options from the calculation of diluted loss per share for the years ended December 31, 2021 and December 31, 2020 as they would be anti-dilutive.

12. WARRANTS

Warrants are used to recognize the fair value of financial instruments which are granted to agents of the corporation typically as a form or compensation related to capital raising activities. 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 reserves.

	\$
Balance, December 31, 2019	585,624
Warrants issued in units for cash	183,457
Warrants issued in units on conversion of convertible notes	149,768
Expired warrants	(14,923)
Warrants issued as transaction costs	25,992
Share based compensation	22,919
Equity issuance costs	(4,723)
Balance, December 31, 2020	948,114
Warrants issued in units for cash	526,851
Warrants issued in units on settlement of debt	35,123
Expired warrants	(214,876)
Equity issuance costs	(41,989)
Balance, December 31, 2021	1,253,223

A summary of warrant transactions is as follows:

	Number of Warrants	Weighted average exercise price	Expiry Date
Outstanding at December 31, 2019	19,686,731	0.19	
Issued in unit issuance	7,606,250	0.12	March 2022
Issued in unit issuance via conversion of convertible notes	5,819,503	0.12	March 2022
Issued as stock-based compensation	500,000	0.10	June 2025
Issued as transaction fees	827,916	0.11	March 2022 and December 2024
Expired	(300,000)	0.13	April and October 2020
Outstanding at December 31, 2020	34,140,400	0.16	
Issued in unit issuance	30,000,000	0.08	September 2024
Issued in unit issuance via settlement of debt	2,000,000	0.08	September 2024
Expired	(10,932,482)	0.20	June, August, September, November, and December 2021
Outstanding at December 31, 2021	55,207,918	0.11	

ICESoft Technologies Canada Corp.
Notes to the Consolidated Financial Statements
(\$CAD)
For the years ended December 31, 2021 and 2020

No warrants were exercised during the year ended December 31, 2021 or the year ended December 31, 2020. The weighted average remaining life of all warrants outstanding at December 31, 2021 is 1.81 years (December 31, 2020 – 1.30 years).

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:

	Year ended December 31, 2021	Year ended December 31, 2020
Exercise Price	\$0.08	\$0.12
Share Price	\$0.055	\$0.067
Dividend Yield	-	-
Forfeiture %	-	-
Risk-free interest rate	1.00%	0.63%
Expected life of warrants	3 years	2 years
Expected volatility	100.00%	100.00%

13. RESERVES

Reserves are used to recognize the fair value of stock options granted and the fair market value of expired warrants. When options are subsequently exercised, the fair value of such options in reserves are credited to share capital. Should the options expire unexercised, their fair market value remains in the reserves account.

Reserves	\$
Balance, December 31, 2019	3,180,746
Stock-based compensation expense	250,115
Capital contribution (note 11)	95,565
Expired warrants	14,923
Balance, December 31, 2020	3,541,349
Stock-based compensation expense	140
Expired warrants	214,877
Balance, December 31, 2021	3,756,366

The Corporation has a stock option plan ("the Plan"). Under the Plan, the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase common shares. The maximum number of common shares reserved for issuance under the Stock Option Plan shall not exceed 15% of the then issued and outstanding common shares of the Corporation. The options will be exercisable for a period of up to ten years. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture Exchange.

ICEsoft Technologies Canada Corp.
Notes to the Consolidated Financial Statements
(\$CAD)
For the years ended December 31, 2021 and 2020

A summary of the Plan transactions for the years are as follows:

	December 31, 2021		December 31, 2020	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding at beginning of year	6,615,000	0.11	4,630,000	0.14
Options granted	3,000	0.08	6,015,000	0.10
Options expired	(600,000)	0.10	(4,030,000)	0.13
Outstanding at end of year	6,018,000	0.10	6,615,000	0.11
Exercisable at end of year	6,018,000	0.10	6,615,000	0.11

The weighted average remaining life of all options outstanding at December 31, 2021 is 2.37 years (2020 – 3.36 years).

During the year ended December 31, 2021, 3,000 share options were granted, with an exercise price of \$0.08 per share and a term of four years. The value of these options was calculated using the Black-Scholes option pricing model with the following assumptions: interest rate of 1.00%, share price of \$0.07; expected life of four years; and expected volatility of 100%. The options have a fair value of \$0.05 per option. The options vested immediately, resulting in stock-based compensation expense of \$140.

During the year ended December 31, 2021, 600,000 options expired unexercised.

No options were exercised during the year ended December 31, 2021 or the year ended December 31, 2020.

14. EXPENSE BREAKDOWN BY NATURE

	December 31, 2021 \$	December 31, 2020 \$
Research and development		
Employee benefits (note 17)	1,066,981	1,060,583
Amortization of property and equipment	272	-
Office expense	8,264	27,541
Advertising and marketing	12,537	76
Other	108	2,226
	1,088,162	1,090,426
General and administrative		
Employee benefits (note 17)	227,234	191,594
Amortization of property and equipment	740	-
Insurance	8,400	12,471
Office expense	32,117	51,119
Professional fees	115,303	89,079
Other	13,497	18,287
	397,291	362,550

ICESoft Technologies Canada Corp.
Notes to the Consolidated Financial Statements
(\$CAD)
For the years ended December 31, 2021 and 2020

Sales, marketing and operations		
Employee benefits	365,669	270,046
Amortization of property and equipment	268	-
Office expense	7,384	20,364
Professional fees	41,348	7,029
Advertising and marketing	136,135	46,577
Other	5,362	7,381
	556,166	351,397

Total personnel expenses for employees, consultants, directors and management included in expenses in the consolidated statement of loss and comprehensive loss total \$1,679,762 (2020 - \$1,496,423) for the year ended December 31, 2021, split between general and administrative, sales, marketing and operations, and research and development expenses, based on work performed. Included in personnel expenses for the year ended December 31, 2021 was \$119,607 (2020 - \$114,658) paid to immediate family members of key management personnel who are employees of the Corporation.

15. GOVERNMENT ASSISTANCE

The Corporation is eligible for government assistance under the Canada Emergency Wage Subsidy (CEWS) and the Temporary Wage Subsidy for Employers (TWSE) programs from the Government of Canada. The Corporation applied for assistance in the amount of \$39,393 (2020 – \$75,711) under the CEWS program and \$Nil (2020 - \$16,500) under the TWSE program. These amounts have been recorded in other income.

The Corporation also received government assistance in the form of a non-interest bearing partially forgivable loan as described in note 8. The forgivable amount of \$10,000 was recognized as other income as of December 31, 2020, as there is reasonable assurance that the Corporation will pay the loan back prior to the maturity date.

16. FINANCE EXPENSE

	December 31, 2021	December 31, 2020
	\$	\$
Interest on term loans	-	2,183
Interest on convertible notes (note 9)	12,175	35,174
Accretion on convertible notes (note 9)	4,827	27,445
Interest on lease liability	1,564	8,316
Other finance expense	6,016	10,537
	24,582	83,655

Finance expense includes non-cash interest of \$Nil (2020 - \$2,183) on the term loan and non-cash interest and accretion of \$4,827 (2020 - \$60,720) on the convertible note.

17. RELATED PARTY TRANSACTIONS AND PERSONNEL COSTS

The Corporation considers its key management personnel to be its Chief Executive Officer, Chief Financial Officer, directors, and close family members of the previously mentioned individuals. Key management compensation is comprised of wages and salaries, stock-based compensation and consulting fees paid to key management personnel and companies controlled by key management.

Key management personnel compensation amounted to:

	December 31, 2021	December 31, 2020
	\$	\$
Wages, salaries and Consulting fees	317,742	110,449
Stock-based compensation	-	101,826
Total	317,742	212,275

The Corporation incurred interest expense of \$Nil (2020 - \$9,166) on term loans and convertible notes held by key management personnel during the year ended December 31, 2021. Key management personnel have accounts payable owing from the Corporation, including payroll and vacation accruals, in the amount of \$513,422 (2020 - \$673,527) at December 31, 2021 and hold long-term debt of \$Nil (2020 - \$10,400) at December 31, 2021.

18. CAPITAL MANAGEMENT

The Corporation optimizes its capital structure with a view to ensure a strong financial position to support its operations and growth strategies. The Corporation's capital structure is made up of items that assist in funding operations and include convertible notes and equity, comprised of share capital, warrants, reserves, accumulated other comprehensive loss, and deficit. The Corporation strives to maximize the value associated with its capital. To maintain or adjust its capital structure, the Corporation may issue shares and adjust its spending.

The Corporation's capital consists of:

	December 31, 2021	December 31, 2020
	\$	\$
Convertible notes	94,915	94,998
Common shares	27,826,697	26,861,053
Equity portion of convertible notes	6,074	6,074
Warrants	1,253,223	948,114
Reserves	3,756,366	3,541,349
Foreign currency translation reserve	(1,852,695)	(1,824,642)
Deficit	(31,903,245)	(30,813,880)
Total capital	(818,665)	(1,186,934)

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remained unchanged during the years presented.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's risk management policies are established to identify, analyze and manage the risks faced by the Corporation and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Corporation's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Corporation's use of financial instruments include credit risk, liquidity risk, market risk and currency risk. These risks, and the actions taken to manage them, include:

a. Fair value

Due to the short-term nature of cash, accounts receivable, 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, and convertible notes approximate their fair value due either to the interest rate approximating market rates or because of the short period to maturity.

b. Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions and accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the Corporation's cash and accounts receivable.

The Corporation minimizes credit risk associated with its cash balances substantially by dealing with major financial institutions in Canada and the United States.

The Corporation is exposed to normal credit risk from customers. Accounts receivable are generally unsecured, subject to the Corporation's ability to file security interest under certain conditions. Accounts receivable are normally collected 30 days after invoicing. Default rates on unsecured credit have traditionally been below 1% of annual revenue. Licenses for proprietary software cease to function if payments are not kept current. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries. Additional sales and services may be withheld if a customer fails to pay its obligations in a timely manner. The Corporation considers accounts over 30 days old overdue. As at December 31, 2021, accounts receivable over 30 days old were \$26,324 (2020 - \$10,094). The Corporation did not record any allowance for doubtful accounts during the years ended December 31, 2021 or 2020.

c. Liquidity risk

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they come due. As at December 31 2021, the Corporation has cash of \$712,506 (2020 - \$167,551). Additionally, as at December 31, 2021, the Corporation has negative net working capital position of \$847,642 (2020 - \$1,200,645). The Corporation will closely monitor its cash and will take the necessary measures to manage its liquidity risk, such as reducing spending, improving profitability, deferring liabilities or raising funds as needed.

d. Currency risk

Currency risk is the risk that the fair value of financial assets and liabilities denominated in currencies, other than the functional currency of the Corporation, will fluctuate due to changes in foreign currency exchange rates. As at December 31, 2021, the Corporation's exposure to currency risk is limited to cash denominated in US dollars in the amount of US \$24,366 (2020 - US \$609), accounts receivable denominated in US dollars in the amount of US \$39,370 (2020 - US \$37,269), and accounts payable and accrued liabilities denominated in US dollars in the amount of US \$344,751 (2020 - US \$15,933). A 1% change in the exchange rate between the Canadian and US dollar would have an immaterial impact on the net loss and cash flows of the Corporation.

e. Interest rate risk

Interest rate risk is the risk that the fair value or cash flows associated with the Corporation's interest bearing financial assets and liabilities will fluctuate due to changes in market interest rates. As at December 31, 2021, the Corporation is exposed to fair value risk as its convertible notes bear interest at fixed rates. A 1% change in the interest rate would have an immaterial impact on the net loss and cash flows of the Corporation.

20. PRIOR PERIOD RECLASSIFICATION

The comparative figures in the statement of loss and comprehensive loss have been reclassified to reflect a change in classification between information services, research and development, general and administrative and sales, marketing and operations. The changes for the year ended December 31, 2020 are as follows:

	As previously reported \$	Currently reported \$
Information services	-	245,633
Research and development	1,015,417	1,090,426
General and administrative	532,606	362,550
Sales, marketing, and operations	501,983	351,397

These changes did not impact prior year net loss.

21. SUBSEQUENT EVENT

Subsequent to December 31, 2021, 19,097,002 warrants expired unexercised.