

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED June 30, 2019.

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 333-141875

IGEN Networks Corp.

(Exact name of registrant as specified in its charter)

Nevada

(State or Other Jurisdiction of
incorporation or organization)

20-5879021

(I.R.S. Employer
Identification No.)

29970 Technology Drive, Suite 108, Murrieta, CA 92563

(Address of principal executive offices) (Zip Code)

1-844-332-5699

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer:

☐

Accelerated filer:

☐

Non-accelerated filer:

☐

Smaller reporting company:

☒

(Do not check if a smaller reporting company)

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of shares of the registrant's common stock issued and outstanding as of August 10, 2019 is 68,214,970.

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Part I
FINANCIAL INFORMATION

Item 1. Financial Statements

The Company's unaudited condensed consolidated interim financial statements for the three and six month periods ended June 30, 2019 are included herewith.

IGEN NETWORKS CORP.

Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2019
(Unaudited – Expressed in U.S. Dollars)

IGEN NETWORKS CORP.
Condensed Consolidated Interim Balance Sheets

(Expressed in U.S. dollars)

	June 30, 2019	December 31, 2018
	(unaudited)	
Assets		
Current Assets		
Cash	\$ 13,151	\$ 56,823
Accounts and other receivables, net	27,248	24,553
Inventory	3,234	36,694
Prepaid expenses and deposits	4,013	27,997
Total Current Assets	47,646	146,067
Goodwill	505,508	505,508
Total Assets	\$ 553,154	\$ 651,575
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 975,999	\$ 813,682
Current portion of deferred revenue	344,129	546,050
Convertible debentures, net of discount	508	-
Derivative liabilities	275,190	-
Total Current Liabilities	1,595,826	1,359,732
Deferred revenue, net of current portion	127,926	175,251
Total Liabilities	1,723,752	1,534,983
Commitment and contingencies		
Redeemable convertible preferred stock – Series A:		
Authorized – 1,250,000 shares with \$0.001 par value, 144,300 shares and no shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively, aggregate liquidation preference of \$132,636 as of June 30, 2019	1,642	-
Stockholders' Deficit		
Preferred stock: Authorized – 8,750,000 shares with \$0.001 par value, no shares issued and outstanding	-	-
Common stock: Authorized - 375,000,000 shares with \$0.001 par value issued and outstanding – 68,214,970 and 66,714,970 shares, respectively	68,215	66,715
Additional paid-in capital	10,499,745	10,426,245
Accumulated Deficit	(11,740,200)	(11,376,368)
Total Stockholders' Deficit	(1,172,240)	(883,408)
Total Liabilities and Stockholders' Deficit	\$ 553,154	\$ 651,575

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

IGEN NETWORKS CORP.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Unaudited - Expressed in U.S. dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
Sales, hardware and accessories	\$ 110,802	\$ 233,472	\$ 270,972	\$ 500,426
Sales, services	87,679	84,014	172,906	188,461
Total Revenues	198,481	317,486	443,878	688,887
Cost of goods sold	85,098	202,670	117,121	370,475
Gross Profit	113,383	114,816	326,757	318,412
Expenses:				
Selling, general and administrative	138,774	171,376	308,642	410,506
Management and consulting fees	34,414	85,270	79,898	184,396
Payroll and related	100,180	155,587	189,709	331,560
Total Expenses	273,368	412,233	578,249	926,462
Loss Before Other Income (Expense)	(159,985)	(297,417)	(251,492)	(608,050)
Other Income (Expense):				
Accretion of discounts on convertible debentures	-	(33,199)	-	(153,194)
Change in fair value of derivative liabilities	177,877	117,963	177,877	96,898
Gain on extinguishment of debt	-	-	-	39,407
Interest expense	(120,508)	(2,778)	(120,508)	(6,645)
Total Other Income (Expense), net	57,369	81,986	57,369	(23,534)
Net Loss	(102,616)	(215,431)	(194,123)	(631,584)
Accrued and deemed dividends on redeemable convertible preferred stock	(169,709)	-	(169,709)	-
Net loss attributable to common stockholders	(272,325)	(215,431)	(363,832)	(631,584)
Other Comprehensive Income (Loss):				
Foreign currency translation gain (loss)	-	-	-	60,910
Comprehensive Loss	\$ (102,616)	\$ (215,431)	\$ (194,123)	\$ (570,674)
Basic and Diluted Loss per Common Share	\$ -	\$ -	\$ (0.01)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding	68,214,970	49,635,933	67,680,440	47,431,518

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

IGEN NETWORKS CORP.
Condensed Statements of Stockholders' Deficit

(Unaudited - Expressed in U.S. dollars)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance, December 31, 2018	-	\$ -	66,714,970	\$ 66,715	\$ 10,426,245	\$ -	\$ (11,376,368)	\$ (883,408)
Shares of common stock issued for cash	-	-	1,500,000	1,500	58,500	-	-	60,000
Net loss	-	-	-	-	-	-	(91,507)	(91,507)
Balance, March 31, 2019	-	-	68,214,970	68,215	10,484,745	-	(11,467,875)	(914,915)
Shares of Series A preferred stock for cash, net of costs and discounts	144,300	-	-	-	-	-	-	-
Accrued dividends on Series A preferred stock	-	1,642	-	-	-	-	(1,642)	(1,642)
Deemed dividends on Series A preferred stock	-	-	-	-	-	-	(168,067)	(168,067)
Stock-based compensation	-	-	-	-	15,000	-	-	15,000
Net loss	-	-	-	-	-	-	(102,616)	(102,616)
Balance, June 30, 2019	144,300	\$ 1,642	68,214,970	\$ 68,215	\$ 10,499,745	\$ -	\$ (11,740,200)	\$ (1,172,240)
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance, December 31, 2017	-	\$ -	39,214,517	\$ 39,215	\$ 8,854,491	\$ (60,910)	\$ (10,223,288)	\$ (1,390,492)
Stock-based compensation	-	-	-	-	4,849	-	-	4,849
Shares of common stock issued for cash	-	-	7,777,778	7,778	592,222	-	-	600,000
Shares of common stock issued for services	-	-	225,000	225	22,275	-	-	22,500
Shares of common stock issued for debenture conversion	-	-	806,916	807	55,193	-	-	56,000
Removal of accumulated other comprehensive loss	-	-	-	-	-	60,910	-	60,910
Net loss	-	-	-	-	-	-	(416,153)	(416,153)
Balance, March 31, 2018	-	-	48,024,211	48,025	9,529,030	-	(10,639,441)	(1,062,386)
Stock-based compensation	-	-	-	-	2,746	-	-	2,746
Shares of common stock issued for cash	-	-	3,333,333	3,333	196,667	-	-	200,000
Shares of common stock issued for services	-	-	1,250,001	1,250	48,750	-	-	50,000
Net loss	-	-	-	-	-	-	(215,431)	(215,431)
Balance, June 30, 2018	-	\$ -	52,607,545	\$ 52,608	\$ 9,777,193	\$ -	\$ (10,854,872)	\$ (1,025,071)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

IGEN NETWORKS CORP.
Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in U.S. dollars)

	Six Months Ended June 30,	
	2019	2018
Cash Flows from Operating Activities		
Net loss	\$ (194,123)	\$ (631,584)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of discounts on convertible debentures	120,000	153,194
Change in fair value of derivative liabilities	(177,877)	(96,898)
Depreciation	-	2,853
Gain on extinguishment of debt	-	(39,407)
Shares issued for services	-	10,864
Stock-based compensation	34,500	7,595
Changes in operating assets and liabilities:		
Accounts and other receivables	(2,695)	(131,729)
Inventory	33,460	(31,753)
Prepaid expenses and deposits	4,484	25,700
Accounts payable and accrued liabilities	162,825	10,528
Deferred revenue	(249,246)	40,660
Net Cash Used in Operating Activities	(268,672)	(679,977)
Cash Flows from Financing Activities		
Repayment of notes payable and convertible debentures	-	(14,578)
Proceeds from issuance of common stock	60,000	800,000
Proceeds from convertible debentures, net	40,000	-
Proceeds from issuance of preferred stock, net	125,000	-
Net Cash Provided by Financing Activities	225,000	785,422
Effect of Foreign Exchange Rate Changes on Cash	-	60,910
Change in Cash and Restricted Cash	(43,672)	166,355
Cash and Restricted Cash, Beginning of Period	56,823	53,638
Cash and Restricted Cash, End of Period	\$ 13,151	\$ 219,993
Non-cash Investing and Financing Activities:		
Discount on convertible debt for derivative liabilities	\$ 50,000	\$ -
Shares of common stock issued for prepaid services	\$ -	\$ 56,734
Conversion of convertible debenture and accrued interest to shares of common stock	\$ -	\$ 56,000
Deemed dividend for preferred stock	\$ 169,709	\$ -
Discount on preferred stock	\$ 125,000	\$ -
Original issue discount on convertible debt	\$ 8,500	\$ -

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

IGEN NETWORKS CORP.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2019

(Unaudited - Expressed in U.S. dollars)

1. Organization and Description of Business

IGEN Networks Corp. (“IGEN”, the “Company”, “we”, “our”) was incorporated in the State of Nevada on November 14, 2006, under the name of Nurse Solutions Inc. On September 19, 2008, the Company changed its name to Sync2 Entertainment Corporation and traded under the symbol SYTO. On September 15, 2008, the Company became a reporting issuer in British Columbia, Canada. On May 26, 2009, the Company changed its name to IGEN Networks Corp. On March 25, 2015, the Company was listed on the Canadian Securities Exchange (CSE) under the trading symbol IGN and the Company became a reporting Venture Issuer in British Columbia and Ontario, Canada.

The Company’s principal business is the development and marketing of software services for the automotive industry. The Company works with wireless carriers, hardware suppliers and software developers to provide direct and secure access to information on the vehicle and the driver’s behavior. The software services are delivered from the AWS Cloud to the consumer and their families over the wireless networks and accessed from any mobile or desktop device. The software services are marketed to automotive dealers, financial institutions, and direct-to-consumer through various commercial and consumer brands.

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has experienced recurring losses from operations, has negative operating cash flows during the six months ended June 30, 2019 and 2018, has a working capital deficit of \$1,548,180 and an accumulated deficit of \$11,740,200 as of June 30, 2019, and is dependent on its ability to raise capital from stockholders or other sources to sustain operations. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Ultimately, the Company plans to achieve profitable operations through the increase in revenue base and successfully grow its operations organically or through acquisitions. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

2. Summary of Significant Accounting Policies

Basic of Presentation and Consolidation

These consolidated financial statements and related notes include the records of the Company and the Company’s wholly-owned subsidiary, Nimbo Tracking LLC which is formed in the USA.

All intercompany transactions and balances have been eliminated. These consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), are expressed in U.S. dollars, and, in management’s opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Use of Estimates

The preparation of these condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to allowance for doubtful accounts, valuation of inventory, the useful life and recoverability of equipment, impairment of goodwill, fair value of stock-based compensation, derivative liabilities, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company’s estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less at the time of acquisition to be cash equivalents.

Accounts Receivable

Accounts receivable are recognized and carried at the original invoice amount less an allowance for expected uncollectible amounts. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, the customer's willingness or ability to pay, the Company's compliance with customer invoicing requirements, the effect of general economic conditions and the ongoing relationship with the customer. Accounts with outstanding balances longer than the payment terms are considered past due. We do not charge interest on past due balances. The Company writes off trade receivables when all reasonable collection efforts have been exhausted. Bad debt expense is reflected as a component of general and administrative expenses in the consolidated statements of operations.

Inventory

Inventory consists of vehicle tracking and recovery devices and is comprised entirely of finished goods that can be resold. Inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs. There was no provision for inventory recorded as of June 30, 2019 and December 31, 2018.

Equipment

Office equipment, computer equipment, and software are recorded at cost. Depreciation is provided annually at rates and methods over their estimated useful lives. Management reviews the estimates of useful lives of the assets every year and adjusts them on prospective basis, if needed. All equipment was fully depreciated as of March 31, 2019. For purposes of computing depreciation, the method of depreciating equipment is as follows:

Computer equipment	3 years straight-line
Office equipment	5 years straight-line
Software	3 years straight-line

Goodwill

Goodwill represents the excess of the acquisition price over the fair value of identifiable net assets acquired. Goodwill is allocated at the date of the business combination. Goodwill is not amortized, but is tested for impairment annually on December 31 of each year or more frequently if events or changes in circumstances indicate the asset may be impaired. These events and circumstances may include a significant change in legal factors or in the business climate, a significant decline in the Company's share price, an adverse action of assessment by a regulator, unanticipated competition, a loss of key personnel, significant disposal activity and the testing of recoverability for a significant asset group.

Prior to January 1, 2018, the goodwill impairment test consisted of two steps. In step one, the Company compared the carrying value of each reporting unit to its fair value. In step two, if the carrying value of a reporting unit exceeded its fair value, the Company would measure goodwill impairment as the excess of the carrying value of the reporting unit's goodwill over the fair value of its goodwill, if any. The fair value of goodwill was derived as the excess of the fair value of the reporting unit over the fair value of the reporting unit's identifiable assets and liabilities.

Effective January 1, 2018, the Company elected to early adopt guidance issued by the FASB which simplified the subsequent measurement of goodwill by eliminating "Step 2" from the goodwill impairment test. Instead, as of January 1, 2018 and all subsequent periods, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value.

Impairment of Long-lived Assets

The Company reviews long-lived assets, such as equipment, for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs. Subsequent expenditure relating to an item of office equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased.

Financial Instruments

In accordance with Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements and Disclosures,” the Company is to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

See Note 4 for fair value measurement information related to the Company’s derivative liabilities.

The fair values of cash and cash equivalents, accounts and other receivables, restricted cash, and accounts payable and accrued liabilities, approximate their carrying values due to the immediate or short-term maturity of these financial instruments. Foreign currency transactions are primarily undertaken in Canadian dollars. The fair value of cash and cash equivalents is determined based on “Level 1” inputs and the fair value of derivative liabilities is determined based on “Level 3” inputs. The recorded values of notes payable, approximate their current fair values because of their nature and respective maturity dates or durations. The financial risk is the risk to the Company’s operations that arise from fluctuations in foreign exchange rates and the degree of volatility to these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. Financial instruments that potentially subject the Company to concentrations of credit risk consists of cash. The Company places its cash and cash equivalents in what it believes to be credit-worthy financial institutions.

Revenue Recognition and Deferred Revenue

We recognize revenue in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, using the five-step model, including (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue upon the transfer of control of the products or services. Title and risk of loss generally pass to our customers upon delivery, as we have insurance for lost shipments. In limited circumstances where either title or risk of loss pass upon destination or acceptance or when collection is not reasonably assured, we defer revenue recognition until such events occur. We derive revenues from two primary sources: products and services. Product revenue includes the shipment of product according to the agreement with our customers. Services include vehicle tracking services and customer support (technical support), installations and consulting. A contract may include both product and services. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. Performance obligations include, but are not limited to, pass-thru harnesses and vehicle tracking services. Almost all of our revenues are derived from customers located in United States of America in the auto industry. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices are typically estimated based on observable transactions when these services are sold on a standalone basis. At contract inception, an assessment of the goods and services promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Revenue is recognized when our performance obligation has been met. The Company considers control to have transferred upon delivery because the Company has a present right to payment at that time, the Company has transferred use of the asset, and the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the asset. For arrangements under which the Company provides vehicle tracking services, the Company satisfies its performance obligations as those services are performed whereby the customer simultaneously receives and consumes the benefits of such services under the agreement. Revenues are recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

The Company provides product warranties with varying lengths of time and terms. The product warranties are considered to be assurance-type in nature and do not cover anything beyond ensuring that the product is functioning as intended. Based on the guidance in ASC 606, assurance-type warranties do not represent separate performance obligations. The Company has historically experienced a low rate of product returns under the warranty program.

Management assesses the business environment, customers' financial condition, historical collection experience, accounts receivable aging, and customer disputes to determine whether collectability is reasonably assured. If collectability is not reasonably assured at the time of sale, the Company does not recognize revenue until collection occurs.

Revenue relating to the sale of service fees on its vehicle tracking and recovery services is recognized over the life of the contact. The service renewal fees are offered in terms ranging from 12 to 36 months and are generally payable upon delivery of the vehicle tracking devices or in full upon renewal.

Deferred revenues are recorded when cash payments are received from customers in advance of the Company's performance. Deferred revenues totaled \$472,055 and \$721,301 as of June 30, 2019 and December 31, 2018, respectively. During the six months ended June 30, 2019, the Company recorded total proceeds of \$169,969 and recognized total revenues of \$419,215 related to deferred revenue arrangements. During the six months ended June 30, 2019, the Company recognized revenues of \$377,942 related to deferred revenues outstanding as of December 31, 2018 as the services were performed.

Any revenue that has been deferred and is expected to be recognized beyond one year is classified as deferred revenue, net of current portion.

Financing Costs and Debt Discount

Financing costs and debt discounts are recorded net of notes payable and convertible debentures in the consolidated balance sheets. Amortization of financing costs and the debt discounts is calculated using the effective interest method over the term of the debt and is recorded as interest expense in the consolidated statement of operations.

Income Taxes

Deferred income taxes are provided on the asset and liability method whereby deferred income tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred income tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Foreign Currency Translation

The Company's reporting currency is the U.S. dollar. The consolidated financial statements of the Company are translated to U.S. dollars in accordance with ASC 830, "Foreign Currency Translation Matters". Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. During 2018, the Company recorded \$60,910 of accumulated other comprehensive income associated with its Canadian Subsidiary that was dissolved in 2017.

Stock-based Compensation

The Company accounts for stock-based payments in accordance with stock-based payment accounting guidance which requires all stock-based payments to be recognized based upon their fair values. The fair value of stock-based awards is estimated at the grant date using the Black-Scholes Option Pricing Model ("Black-Scholes") and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period. The determination of fair value using Black-Scholes is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables, including expected stock price volatility, risk-free interest rate, expected dividends and projected employee stock option exercise behaviors. The Company accounts for forfeitures of unvested awards as they occur.

Loss Per Share

Basic earnings (loss) per share are computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted earnings per share give effect to all dilutive potential common shares outstanding during the period including stock options and warrants, using the treasury stock method, and convertible debentures, using the if-converted method. In computing diluted earnings (loss) per share, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted earnings (loss) per share exclude all potentially issuable shares if their effect is anti-dilutive. Because the effect of conversion of the Company's dilutive securities is anti-dilutive, diluted loss per share is the same as basic loss per share for the periods presented. As of June 30, 2019 and 2018, the Company has 20,286,739 and 8,089,673 potentially dilutive shares outstanding, respectively.

Comprehensive Income (Loss)

ASC 220, "Comprehensive Income" establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. For the period ended March 31, 2018, comprehensive income (loss) consists of foreign currency translation gains and losses.

Recent Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-07, "Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting" which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, "Compensation-Stock Compensation", to include share-based payment transactions for acquiring goods and services from nonemployees. Some of the areas for simplification apply only to nonpublic entities. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, "Revenue from Contracts with Customers". The Company adopted ASU 2018-07 effective January 1, 2019, and the adoption of the standard did not have an impact on the Company's condensed consolidated financial statements.

3. Convertible Debentures

- (a) On August 7, 2017, the Company issued a convertible debenture to a third party in the principal amount of \$161,250 with an original issuance discount of \$11,250 and incurred \$3,500 of financing costs to a third party, which was unsecured, bore interest at 5% per annum, and was due on August 7, 2018. The holder could convert any or all of the principal and/or interest at any time following the six-month anniversary of the issuance date of the convertible debenture (February 7, 2018) into common shares of the Company at a price per share equal to 75% multiplied by the closing price of the Company's common stock preceding the trading day that the Company receives a notice of conversion. The estimated fair value of the derivative liabilities of \$153,827 resulted in a discount to the convertible debenture, which was amortized over the term of the convertible debenture. During the years ended December 31, 2017 and 2018, \$47,632 and \$106,195, respectively, of amortization expense was recorded. As of December 31, 2017, the carrying value of the convertible debenture was \$55,055. During the year ended December 31, 2018, the Company repaid \$80,000 of principal in cash and converted \$81,250 of principal into shares of common stock, leaving no amounts due as of December 31, 2018.
- (b) On December 18, 2017, the Company issued a convertible debenture to a third party in the principal amount of \$55,000 with an original issuance discount of \$5,000 and incurred \$1,500 of financing costs to a third party, which was unsecured, bore interest at 2% per annum, and was due on June 18, 2018. The holder could convert any or all of the principal and/or interest at any time following the six-month anniversary of the issuance date of the convertible debenture (June 18, 2018) into common shares of the Company at a price per share equal to 75% multiplied by the closing price of the Company's common stock preceding the trading day that the Company receives a notice of conversion. The estimated fair value of the derivative liabilities of \$47,071 resulted in a discount to the convertible debenture, which was amortized over the term of the convertible debenture. During the years ended December 31, 2017 and 2018, \$72 and \$46,999, respectively, of amortization expense was recorded. As of December 31, 2017, the carrying value of the convertible debenture is \$8,001. On July 5, 2018, the Company provided an additional principal to the convertible debentures of \$20,000 on the same terms. Related to this increase, the estimated fair value of the conversion feature was \$6,698 and was recorded as a debt discount, which was amortized in full during the year ended December 31, 2018. During the year ended December 31, 2018, the Company repaid \$55,000 of principal in cash and converted \$20,000 of principal into shares of common stock, leaving no amounts due as of December 31, 2018.
- (c) On May 17, 2019, IGEN Network Corp. (the "Company") entered into a Convertible Promissory Note ("Promissory Note") with Crown Bridge Partners, LLC (the "Holder") for a total principal amount of up to \$150,000 with cash proceeds of up to \$124,500, resulting in an Original Issue Discount of up to \$25,500. The Promissory Note bears interest at 7% per annum (with the understanding that the first 12 months of interest of each tranche will be guaranteed). The maturity date is 18 months from the effective date of each payment.

The Conversion Price, as defined in the agreement, is the lesser of (i) the lowest Trading Price (as defined below) during the previous 25 Trading Day period ending on the latest complete Trading Day prior to the date of this Note or (ii) the Variable Conversion Price (as defined herein). The Variable Conversion Price means the lowest one Trading Price (as defined below) for the common stock during the 25 Trading Day period ending on the last complete Trading Day prior to the Conversion Date. Trading Price means, for any security as of any date, the lesser of the (i) lowest traded price and (ii) lowest closing bid price. Based on the Company's examination of the conversion feature and the relative accounting guidance, the Company has determined that the conversion feature should be treated as a derivative liability for accounting purposes.

Additionally, if at any time while the Promissory Note is outstanding, the Conversion Price is equal to or lower than \$0.025, then an additional \$10,000 will be automatically added to the principal balance of each tranche funded under the Note. During the period ended June 30, 2019, \$10,000 was added to the principal balance for the first tranche.

In connection with the Promissory Note, the Company also entered into a Securities Purchase Agreement with the Holder which states that the Company will also issue to the Holder a warrant to purchase an amount of shares of its common stock equal to 50% of the face value of each respective tranche divided by \$0.10 (for illustrative purposes, the first tranche face value is equal to \$50,000, which resulted in the issuance of a warrant to purchase 250,000 shares of the Company's common stock).

Per the terms of the Common Stock Purchase Warrant agreement, on May 17, 2019, the Company issued a warrant to purchase 250,000 shares of common stock with an Exercise Price of \$0.10 subject to adjustment (standard anti-dilution features). If the Market Price of one shares of common stock is greater than the Exercise Price, the Holder may elect to receive Warrant Shares pursuant to cashless exercise, in lieu of cash exercise, per a defined formula in the agreement.

The first tranche funded on May 17, 2019 and the Company received \$40,000 in net cash proceeds, after paying \$1,500 of direct funding costs. The related principal amount due for the first tranche was \$50,000. For the first tranche, using the Black-Scholes Option Pricing Model, the Company computed the estimated fair value of the embedded conversion feature to be \$160,000 and recorded a related derivative liability. Related to the derivative liability, the bonus interest, and the direct financing costs, the Company recorded a full debt discount of \$60,000 for the Promissory Note which will be amortized to interest expense over the term of the Promissory Note using the effective interest method and an additional \$110,000 directly to interest expense. During the six months ended June 30, 2019, the Company recorded \$2 of interest expense related to the amortization of the debt discount. The Company expects to record additional amortization expense of \$96 during the year ending December 31, 2019 and expects to record amortization expense of \$59,902 during the year ending December 31, 2020 under the effective interest method. As of June 30, 2019 the Company revalued the derivative liability related to the embedded conversion feature using the Black-Scholes Option Pricing Model, noting a value of \$121,012. During the period ended June 30, 2019 the Company recorded a gain related to the change in the fair value of the derivative liability totaling \$38,988.

4. Derivative Liabilities

During the six months ended June 30, 2019, the Company issued a convertible debenture and series A preferred stock with variable exercise prices based on market rates. The Company records the fair value of its conversion features with variable exercise prices based on future market rates in accordance with ASC 815. The fair value of the derivative liabilities are revalued on each balance sheet date with corresponding gains and losses recorded in the consolidated statement of operations and comprehensive loss. As of June 30, 2019, the Company had derivative liabilities of \$275,190, relating to the conversion features. The Company uses the Black-Scholes Option Pricing Model to fair value the derivative liabilities. The following inputs and assumptions were used to value the derivative liabilities outstanding during the six months ended June 30, 2019, assuming no expected dividends:

	June 30, 2019
Expected volatility	227 – 254%
Risk free interest rate	1.81 – 2.34%
Expected life (in years)	1.3 – 1.5

During the six months ended June 30, 2019, the Company recorded a gain on the change in fair value of derivative liabilities of \$177,877.

The following table presents the Company's embedded conversion features of its convertible debt and preferred stock measured at fair value on a recurring basis as of June 30.

	Level 3 Carrying Value as of June 30, 2019
Derivative liabilities:	
Embedded conversion feature – convertible debt	\$ 121,012
Embedded conversion feature – preferred stock	154,178
	<u>\$ 275,190</u>

The following table provides a reconciliation of the beginning and ending balances for the Company's derivative liabilities measured at fair value using Level 3 inputs:

	For The Six Months Ended June 30, 2019
Embedded Conversion Features – Common Debt	
Balances, as of the beginning of the year	\$ -
Derivative liabilities recorded upon issuance of debt instrument	160,000
Net changes in fair value included in net loss	(38,988)
Ending balance	<u>\$ 121,012</u>
Embedded Conversion Features – Preferred Stock	
Balances, as of the beginning of the year	\$ -
Derivative liabilities recorded upon issuance of preferred stock	293,067
Net changes in fair value included in net loss	(138,889)
Ending balance	<u>\$ 154,178</u>
Total ending balance	<u>\$ 275,190</u>

5. Related Party Transactions

- (a) During the six months ended June 30, 2019 and 2018, the Company incurred \$59,215 and \$89,045, respectively, in management and consulting fees to officers and a Company controlled by a director.
- (b) As of June 30, 2019 and December 31, 2018, the Company owed \$136,036 and \$136,036, respectively, to directors and officers and a company controlled by a director, which is included in accounts payable and accrued liabilities. The amounts owed are unsecured, non-interest bearing, and due on demand.
- (c) During the six months ended June 30, 2019 and 2018, the Company incurred \$53,155 and \$30,447, in purchases of hardware from a vendor controlled by a director of the Company. As of June 30, 2019 and December 31, 2018, the amounts owed to this related-party vendor were \$96,219 and \$101,598, respectively.

6. Stockholders' Deficit

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.001 per share. The Company has designated 1,250,000 of these shares as Series A Convertible Preferred Stock.

On April 9, 2019 and separately on Jun 11, 2019, the Company entered into a Series A Preferred Stock Purchase Agreement with an investor. On April 9, 2019, the Company issued 86,000 shares for net proceeds of \$75,000 (after deducting \$3,000 of direct legal costs) and on June 11, 2019, the Company issued 58,300 shares for net proceeds of \$50,000 (after \$3,000 deduction of direct legal costs).

Rights and Privileges of the Series A Preferred Stock

- **Voting** – Series A Preferred Stock holders have no voting rights
- **Dividends** – 8% cumulative dividend, compounded daily, payable solely upon redemption, liquidation, or conversion. (increases to 22% for an event of default)
- **Redemption** – Company has the right to redeem the shares from the issuance date through 270 days following the issuance date using the table noted in the Certificate of Designations, Preferences, Rights and Limitations of Series A Convertible Preferred Stock agreement. After 270 days, except for the Mandatory Redemption, the Company does not have the right to redeem the shares.
- **Mandatory Redemption** – 18 months after the Issuance Date or upon the occurrence of an Event of Default, the Company is required to redeem all of the shares of Series A Preferred Stock of the Holder. The Company shall make a cash payment in an amount equal to the total number of shares of Series A Preferred Stock held by the Holder multiplied by the then current Stated Value as adjusted (including but not limited to the addition of any accrued unpaid dividends and the Default Adjustment
- **Conversion** – At any time after 6 months following the Issuance Date, the Holder may convert all or any part of the outstanding Series A Preferred Stock into shares of Common Stock. The Variable Conversion Price is defined as 75% of the the Market Price. The Market Price is defined as the average of the 3 lowest Trading Prices for the Common Stock during the 15 day Trading Period ending on the last complete Trading Day prior to the Conversion Date.
- **Default Adjustments** – Upon the occurrence of any Event of Default, the Stated Value will be increased between 150% and 200%, depending on the Event of Default.

Based on the terms of the conversion feature, the Company could be required to issue an infinite number of shares of common stock. As such, the Company has determined the conversion feature to be a derivative liability under relevant accounting guidance. The Company estimated the fair value of the conversion feature using the Black-Scholes Option Pricing Model on the date of issuance, on the date of each conversion notice, and will remeasure the fair value at each reporting period. On the issuance dates of the series A preferred stock during the six months ended June 30, 2019, the combined estimated fair value of the conversion features were determined to be \$293,067. In connection with the fair value of the derivative liability, the Company recorded a total discount to the series A preferred stock of \$125,000 and also recorded a deemed distribution of \$168,067. During the period ended June 30, 2019, the Company additionally recorded accrued dividends of \$1,636 and a deemed dividend of \$6 related to the accretion of the discount using the effective interest method. The Company expects to record additional accretion expense or deemed dividends of \$289 for during the year ending December 31, 2019 and expects to record additional accretion expense or deemed dividends of \$130,706 for the year ending December 31, 2020.

Common Stock

2019

- (a) During the six months ended June 30, 2019, the Company sold 1,500,000 shares of common stock for proceeds of \$60,000.

2018

- (a) On January 1, 2018, the Company issued 274,020 shares of common stock with a fair value of \$27,402 based on the closing price of the Company's common stock for consulting services.
- (b) On January 22, 2018, the Company issued 2,777,778 shares of common stock of \$0.07 per share for proceeds of \$200,000.
- (c) On January 29, 2018, the Company issued 5,000,000 shares of common stock at \$0.08 per share for proceeds of \$400,000.

- (d) On February 28, 2018, the Company issued 806,916 shares of common stock with a fair value of \$56,000 for the extinguishment of \$50,000 of principal, \$6,000 of accrued interest, and \$39,407 of derivative liability related to one of the Company's convertible debt instruments. The Company recognized a gain on extinguishment of debt of \$39,407.
- (e) On May 21, 2018, the Company issued 1,250,000 shares of common stock with a fair value of \$50,000 for board of director services, which will be provided over a one-year period. During the six months ended June 30, 2019 and 2018, the Company recorded expenses of \$19,500 and \$5,500, respectively under this arrangement. As of June 30, 2019, all services have been provided.
- (f) On June 1, 2018, the Company issued 3,333,333 shares of common stock for \$0.06 per share for proceeds of \$200,000.

7. Share Purchase Warrants

The following table summarizes the continuity schedule of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	3,899,673	0.20
Issued	250,000	0.10
Expired	(147,059)	0.35
Balance, June 30, 2019	<u>4,002,614</u>	<u>\$ 0.19</u>

As of June 30, 2019, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiration date
500,000	\$ 0.12	June 1, 2020
2,222,222	\$ 0.23	February 23, 2022
250,000	\$ 0.10	May 17, 2024
980,392	\$ 0.15	December 2, 2021
50,000	\$ 0.20	January 2, 2022
<u>4,002,614</u>		

8. Stock Options

The following table summarizes the continuity schedule of the Company's stock options:

	Number of options	Weighted average exercise price	Aggregate intrinsic value
Balance, December 31, 2018	4,190,000	\$ 0.16	
Granted	1,500,000	0.04	
Exercised	-	-	
Cancelled / forfeited	-	-	
Balance, June 30, 2019	<u>5,690,000</u>	<u>\$ 0.13</u>	<u>\$ -</u>

Range of exercise prices	Outstanding			Exercisable	
	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of shares	Weighted average exercise price
\$ 0.04	1,500,000	4.9	0.04	-	-
\$ 0.08	250,000	3.3	0.08	250,000	0.08
\$ 0.13	1,425,000	2.9	0.13	1,425,000	0.13
\$ 0.16	225,000	1.6	0.16	225,000	0.16
\$ 0.19	2,270,000	1.2	0.19	2,270,000	0.19
Cdn\$ 0.25	20,000	1.2	Cdn\$ 0.25	20,000	Cdn\$ 0.25
	5,690,000	2.4	\$ 0.16	4,190,000	\$ 0.16

During the six months ended June 30, 2019, the Company issued 1,500,000 shares to employees with an estimated fair value per share of \$0.04 using the Black-Scholes Option Pricing Model with the following inputs, volatility of 243%, risk-free rate of 2.2%, and an expected term of 5 years. During the six months ended June 30, 2019 and 2018, the Company recorded \$15,000 and \$7,595, respectively, of stock-based compensation expense related to stock option grants. As of June 30, 2019, the Company had unrecognized compensation expense of \$60,000 which will be recorded to operations over the next twelve months.

9. Segments

The Company has one reportable segment: vehicle tracking and recovery solutions. The Company allocates resources to and assesses the performance of each reportable segment using information about its revenue and operating income (loss). The Company does not evaluate operating segments using discrete asset information.

Segmentation by geographical location is not presented as all revenues are earned in U.S. Total assets by segment are not presented as that information is not used to allocate resources or assess performance at the segment level and is not reviewed by the Chief Operating Decision Maker of the Company.

10. Concentration Risk

The Company extends credit to customers on an unsecured basis in the normal course of business. The Company's policy is to perform an analysis of the recoverability of its receivables at the end of each reporting period and to establish allowances where appropriate. The Company analyzes historical bad debts and contract losses, customer concentrations, and customer credit-worthiness when evaluating the adequacy of the allowances.

During the six months ended June 30, 2019 and 2018, the Company had two customers which accounted for 67% and 74%, respectively, of total invoiced amounts, which are recorded as deferred revenues and amortized over the related service period to revenues.

As of June 30, 2019 and December 31, 2018, the Company had four and three customers, respectively, which accounted for 99% and 93%, respectively, of the gross accounts receivable balance.

11. Commitments and Contingencies

Investor Relations Agreement

In September 2017, we entered into an investor relations agreement with a consultant commencing in October 2017 for a period of one year. Per the terms of the agreement, the Company is to provide to the consultant the following: cash fee of \$2,500 per month; shares of common stock valued at \$7,500 (75,000 shares) for the first three months of service; shares of common stock valued at \$22,500 (225,000 shares) for months four through twelve.

Indemnities and Guarantees

We have made certain indemnities and guarantees, under which we may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions. We indemnify our officers and directors to the maximum extent permitted under the laws of the State of Nevada. The duration of these indemnities and guarantees varies and, in certain cases, is indefinite. These indemnities and guarantees do not provide for any limitation of the maximum potential future payments we could be obligated to make. Historically, we have not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying consolidated balance sheets.

Legal Matters

In the ordinary course of business, we may face various claims brought by third parties and may, from time to time, make claims or take legal actions to assert our rights, including intellectual property disputes, contractual disputes and other commercial disputes. Any of these claims could subject us to litigation. Management believes there are currently no claims that are likely to have a material effect on our consolidated financial position and results of operations.

12. Subsequent Events

The second tranche of the Promissory Note (see Note 7) funded on July 15, 2019 and the Company received \$19,250 in net cash proceeds, after paying \$1,500 of direct funding costs. The related principal amount due for the second tranche was \$25,000 and is convertible based on the terms discussed in Note 7. In connection with the issuance of the second tranche of the Promissory Note, the Company issued a warrant to purchase 125,000 shares of common stock with an Exercise Price of \$0.10 subject to adjustment (standard anti-dilution features).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information for the three and six-month period ended June 30, 2019. This MD&A should be read together with our unaudited condensed consolidated interim financial statements and the accompanying notes for the three and six-month period ended June 30, 2018 (the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Except where otherwise specifically indicated, all amounts in this MD&A are expressed in United States dollars.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. You should carefully read the cautionary note in this MD&A regarding forward-looking statements and should not place undue reliance on any such forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements".

Additional information about the Company, including our most recent consolidated financial statements and our Annual Information Form, is available on our website at www.igen-networks.com, or on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Cautionary Note Regarding Forward-looking Statements

Certain statements and information in this MD&A may not be based on historical facts and may constitute forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities laws ("forward-looking statements"), including our business outlook for the short and longer term and our strategy, plans and future operating performance. Forward-looking statements are provided to help you understand our views of our short and longer term prospects. We caution you that forward-looking statements may not be appropriate for other purposes. We will not update or revise any forward-looking statements unless we are required to do so by securities laws. Forward-looking statements:

- Typically include words and phrases about the future such as "outlook", "may", "estimates", "intends", "believes", "plans", "anticipates" and "expects";
- Are not promises or guarantees of future performance. They represent our current views and may change significantly;
- Are based on a number of assumptions, including those listed below, which could prove to be significantly incorrect:
 - Our ability to find viable companies in which to invest
 - Our ability successfully manage companies in which we invest
 - Our ability to successfully raise capital
 - Our ability to successfully expand and leverage the distribution channels of our portfolio companies;
 - Our ability to develop new distribution partnerships and channels
 - Expected tax rates and foreign exchange rates.
- Are subject to substantial known and unknown material risks and uncertainties. Many factors could cause our actual results, achievements and developments in our business to differ significantly from those expressed or implied by our forward-looking statements. Actual revenues and growth projections of the Company or companies in which we are invested may be lower than we expect for any reason, including, without limitation:
 - the continuing uncertain economic conditions
 - price and product competition
 - changing product mixes,
 - the loss of any significant customers,
 - competition from new or established companies,
 - higher than expected product, service, or operating costs,
 - inability to leverage intellectual property rights,
 - delayed product or service introductions

Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results.

Overview

During the six months of 2019, the Company continues to focus on initiatives to grow revenue, expand its customer base, and develop new channels through its wholly-owned subsidiary Nimbo Tracking and direct to customer brands Medallion GPS and CU TRAK, both marketed through the Sprint IOT Factory platform.

Notable highlights of the six-month period ended June 30, 2019 include the following Company achievements:

1. The Company achieved \$443,878 in revenues at 74% gross profit margin and \$326,757 gross profits
2. The Company had a net loss of \$194,123 for the six months ended June 30, 2019, a decrease of \$437,461 over the same period in 2018 – significant progress for achieving profitability.
3. The Company received Sprint IoT Factory Order to Manage Ride-Share Leased Vehicles on the Tri-State Area of New York.

Financial Condition and Results of Operations

Capital Resources and Liquidity

Current Assets and Liabilities, Working Capital, Net Debt

As of June 30, 2019, the Company's current assets were \$47,646, a significant decrease of 67% over the six-month period. Contributing to the net decrease to current assets was the net loss due to the reduction in sales during the period as a result of a loss of a major dealership group that generated higher revenues but lower gross margins. The Company expects to recover the dealership group in the second half of 2019 through its litigation process. Also, the Company is focusing its sales efforts in developing the CU Track product, which is the Company's product for credit unions in Puerto Rico. The margins for these types of sales are much higher than average. Finally, for the many units that shipped in Q3 2018 to one auto group, the sell-through rate of those units to the final customers has been slower than anticipated.

Current liabilities increased \$236,094, or 17%, over the six months, primarily due to the derivative liabilities that were established during the six months.

The Company finished the six months of 2019 with a working capital deficiency of \$1,548,180, a deterioration of \$334,515 over the six months. Of the total working capital deficiency, \$344,129 is short-term deferred revenue liabilities that will convert to revenue. During the six months ended June 30, 2019, the Company raised \$225,000 in cash proceeds from the sale of shares of the Company's common stock, series A preferred stock, and a convertible promissory note. The Company intends to improve its working capital position through ongoing equity and debt financing and continued focus on growth in its cash flow.

Total Assets and Liabilities, Total Stockholders' Equity (Deficit)

The Company's total assets as of June 30, 2019 were \$553,154 a decrease of \$98,421 over the six months. This decrease was commensurate with the respective changes in current assets previously discussed.

Total liabilities increased (\$188,769 or 12%) over the six months. This increase was composed primarily of the \$275,190 increase in derivative liabilities during the six months.

The above resulted in total stockholders' deficit of \$1,172,240, an increase of \$288,832 from December 31, 2018. This change is a result of the net loss and deemed dividends for the six months ended June 30, 2019, offset by the \$185,000 of cash proceeds from the sale of shares of the Company's common stock during the three months.

As of the date of these financial statements, the Company requires additional capital to maintain adequate working capital and projected net revenues. The Company's business plan is predicated on raising further capital for the purpose of further investment and acquisition of targeted technologies and companies, to fund growth in these technologies and companies, and to expand sales and distribution channels for companies it currently owns or is invested. It is anticipated the Company will continue to raise additional capital through equity financing in the both the near and medium term.

Results of Operations

Revenues and Net Loss For the Three Months Ended June 30, 2019

Revenues

The Company had revenues of \$198,481 for the three months ended June 30, 2019, a 37% decrease over the similar period in 2018. Sales decrease was attributed to a breach of terms of a distributor which the Company expects to resolve during the 2019 reporting period.

The three-month gross profit of \$113,383 was a 1% decrease from the same period in 2018.

Similarly, gross profit margin for the three months of 57% was an increase of 21% reported in the same period in 2018. The significant increase in gross profit margin is directly related to the Company's efforts to focus on renewals and high-margin transactions with its credit union customers.

The Company continues to review hardware, inventory, and order fulfillment strategies as well as product and service pricing and delivery models to grow sales and maximize overall margins.

Expenses

Operating expenses for the three months ended June 30, 2019 totaled \$273,368 representing a 34% decrease reported in the same period in 2018. Included in other income (expenses) for the three months ended June 30, 2019 and 2018 is \$177,877 and \$117,963, respectively of change in fair value of derivative liabilities. During the three months ended June 30, 2019, the Company recorded \$120,508 of interest expense related to its convertible debt and embedded conversion feature. The Company anticipates increases in development-associated labor and material costs as it completes the launch of its next generation platform. The Company will also expand its sales channels to support the Sprint IoT Factory initiative.

Net Loss

The Company had a net loss of \$102,616 for the three months ended June 30, 2019, a decrease of \$112,815 over the same period in 2018, for the reasons noted above.

The Company continues to invest in personnel, channels, and product development in order to drive revenue growth and increase gross profits sufficient to enable the Company to achieve profitability.

Revenues and Net Loss For the Six Months Ended June 30, 2019

Revenues

The Company had revenues of \$443,878 for the six months ended June 30, 2019, a 36% decrease over the similar period in 2018. Sales decrease was attributed to a breach of terms of a distributor which the Company expects to resolve during the 2019 reporting period.

The six-month gross profit of \$326,757 was a 3% increase from the same period in 2018.

Similarly, gross profit margin for the six months of 74% was an increase of 28% reported in the same period in 2018. The significant increase in gross profit margin is directly related to the Company's efforts to focus on renewals and high-margin transactions with its credit union customers.

The Company continues to review hardware, inventory, and order fulfillment strategies as well as product and service pricing and delivery models to grow sales and maximize overall margins.

Expenses

Operating expenses for the six months ended June 30, 2019 totaled \$578,249 representing a 38% decrease reported in the same period in 2018. Included in other income (expenses) for the six months ended June 30, 2019 and 2018 is \$177,877 and \$96,898, respectively of change in fair value of derivative liabilities. The Company also recorded a gain of \$39,407 related to the settlement of debt for the six months ended June 30, 2018. During the six months ended June 30, 2019, the Company recorded \$120,508 of interest expense related to its convertible debt and embedded conversion feature. The Company anticipates increases in development-associated labor and material costs as it completes the launch of its next generation platform. The Company will also expand its sales channels to support the Sprint IoT Factory initiative.

Net Loss

The Company had a net loss of \$194,123 for the six months ended June 30, 2019, a decrease of \$437,461 over the same period in 2018, for the reasons noted above.

The Company continues to invest in personnel, channels, and product development in order to drive revenue growth and increase gross profits sufficient to enable the Company to achieve profitability.

Cash Flows and Cash Position

The Company saw a decrease of \$43,672 in cash over the six months ended June 30, 2019. Net cash of \$268,672 used in operating activities was offset by net financing cash of \$225,000 raised via private placements and from the issuance of convertible debt. Cash at the end of the period was \$13,151.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, the Company is not required to provide the information required by this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Company carried out an evaluation, with the participation of all the Company's officers, of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2019. The conclusions of the Company's principal officers was that the controls and procedures in place were effective such that, the information required to be disclosed in our exchange and commission reports was a) recorded, processed, summarized and reported within the time periods specified in the appropriate exchange and commission rules and forms, and b) accumulated and communicated to our management, including our chief executive officer and chief operating officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

During the last fiscal quarter there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II
OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not party to any legal proceedings.

Item 1A. Risk Factors.

As a smaller reporting company, the Company is not required to provide the information required by this item, however for a discussion of risk factors affecting the Company please refer to the *Cautionary Note Regarding Forward-looking Statements* included in Part I Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months covered by this report and ended June 30, 2019, the following securities were sold or issued:

- (a) During the three months ended June 30, 2019, 144,300 shares of series A preferred stock for proceeds of \$125,000.

Item 3. Defaults Upon Senior Securities.

There has been no material default in the payment of any element of indebtedness of the Company. The Company has no preferred stock for which dividends are paid, hence no related arrearage or delinquencies in payments of dividends.

Item 4. Mine Safety Disclosures.

The Company is not an operator, nor has a subsidiary that is an operator, of a coal or other mine.

Item 5. Other Information.

During the period covered by this report there was no information, required to be disclosed in a report on Form 8-K, that was not reported.

During the period covered by this report there were no material changes to the procedures by which security holders may recommend nominees to the registrant's board of directors.

Item 6. Exhibits.

Exhibit	Index
31.1	Certification – Rule 13(a)-14(a)/15d-14(a) - CEO
32.1	Certification – Section 1350 - CEO
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IGEN Networks Corp

August 14, 2019

By: /s/ Neil Chan
Neil Chan
Chief Executive Officer and Director
(Principal Executive Officer, Principal Financing
Officer and Principal Accounting Officer)