EIGHT SOLUTIONS INC.

June 30, 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. They include appropriate accounting principles, judgment and estimates in accordance with IFRS for interim financial statements.

The Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian institute of Chartered Professional Accountants for a review of condensed consolidated interim financial statements by an entity’s auditors.

Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

EIGHT SOLUTIONS INC.

Three and six months ended June 30, 2018 and 2017

EIGHT SOLUTIONS INC.

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

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 869,665	$ 47,088
Trade and other receivables (note 9)	100,766	107,927
Short-term investment (note 10)	2,418	1,877
Current portion of prepaid expenses and deposits	-	13,245
	972,849	170,137
Non-current assets:		
Prepaid expenses and deposits	32,711	32,711
Property and equipment (note 11)	81,493	112,571
	114,204	145,282
Total assets	$ 1,087,053	$ 315,419
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Trade payables and accrued liabilities (note 12)	$ 623,520	$ 443,555
Short-term loan payable (note 14)	1,000,329	-
Deferred revenue	672,851	140,000
Current portion of lease incentives	-	12,703
Current portion of government loan payable (note 13)	274,800	183,200
Current portion of convertible promissory note (notes 5(a) and 5(c))	1,774,934	1,784,717
	4,346,434	2,564,175
Non-current liabilities:		
Convertible promissory note (note 5(c))	270,000	270,000
Promissory note due to founding shareholder (note 5(b))	2,490,561	1,085,904
Government loan payable (note 13)	729,923	804,218
	3,490,484	2,160,122
Total liabilities	7,836,918	4,724,297
Shareholders' equity (deficiency) (note 16):		
Share capital (note 16(a))	20,620,244	20,620,244
Contributed surplus	4,958,506	4,778,520
Deficit	(32,122,569)	(29,622,004)
Total equity (deficiency) attributed to owners of the Company	(6,543,819)	(4,223,240)
Non-controlling interest	(206,046)	(185,638)
Total equity (deficiency)	(6,749,865)	(4,408,878)
Total liabilities and shareholders' equity (deficiency)	$ 1,087,053	$ 315,419

Reporting entity and going concern (note 1)
Commitments and contingencies (note 15)
Subsequent events (note 19)

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

Approved on behalf of the Board:

/s/ Roderick Armes ______________ Director

EIGHT SOLUTIONS INC.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue (note 6)	$ 826,317	$ 2,318,572	$ 1,174,057	$ 2,929,092
Expenses:				
Employee expenses (note 7)	1,303,545	1,244,402	2,667,140	2,539,344
Contracted services	41,728	168,349	57,081	229,420
Supplies and materials	294,538	227,504	542,012	455,390
Amortization (note 11)	9,901	642,554	35,846	1,283,962
Stock based compensation (note 17)	61,796	40,287	105,513	99,372
	1,711,508	2,323,096	3,407,592	4,607,488
Loss before other income (expenses)	(885,191)	(4,524)	(2,233,535)	(1,678,396)
Other income (expenses):				
Foreign exchange gain (loss)	2,414	(3,363)	3,858	(6,383)
Finance expense (note 8)	(164,244)	(55,641)	(310,659)	(139,635)
Gain on debt conversion (note 16(a))	-	-	-	36,000
Gain on disposition (note 4)	-	2,000,000	-	2,000,000
	(161,830)	1,940,996	(306,801)	1,889,982
Income (loss) before tax	(1,047,021)	1,936,472	(2,540,336)	211,586
Deferred income tax recovery	-	183,913	19,363	331,467
Net income (loss) and comprehensive income (loss) for the period	$ (1,047,021)	$ 2,120,385	$ (2,520,973)	$ 543,053
Total comprehensive income (loss) attributable to:				
Shareholders of the Company	$ (1,036,691)	$ 2,280,556	$ (2,500,565)	$ 875,841
Non-controlling interest	(10,330)	(160,171)	(20,408)	(332,788)
Net income (loss) per share attributable to owners of the Company:				
Basic (note 16(b))	$ (0.01)	$ 0.04	$ (0.03)	$ 0.02
Diluted (note 16(b))	$ (0.01)	$ 0.04	$ (0.03)	$ 0.02

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

EIGHT SOLUTIONS INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

Six months ended June 30, 2018 and 2017

	Number of common shares	Share capital	Contributed surplus	Deficit	Total equity (deficiency) attributable to shareholders of the Company	Non-controlling interest	Total shareholders' equity (deficiency)
Balance at January 1, 2017	53,862,619	$19,281,546	$4,273,159	$ (25,675,195)	$ (2,120,490)	$ 1,327,324	$ (793,166)
Stock-based compensation (note 17(b))	-	-	99,372	-	99,372	-	99,372
Issuance of common shares (note 16(a))	1,359,091	144,000	-	-	144,000	-	144,000
Net income (loss) and comprehensive income (loss)	-	-	-	875,841	875,841	(332,788)	543,053
Balance at June 30, 2017	55,221,710	$19,425,546	$ 4,372,531	$ (24,799,354)	$ (1,001,277)	$ 994,536	$ (6,741)
Balance at January 1, 2018	76,733,875	$20,620,244	$ 4,778,520	$ (29,622,004)	$ (4,223,240)	$ (185,638)	$ (4,408,878)
Stock-based compensation (note 17(b))	-	-	105,513	-	105,513	-	105,513
Issuance of convertible debenture (note 5(a))	-	-	74,473	-	74,473	-	74,473
Net loss and comprehensive loss	-	-	-	(2,500,565)	(2,500,565)	(20,408)	(2,520,973)
Balance at June 30, 2018	76,733,875	$20,620,244	$ 4,958,506	$ (32,122,569)	$ (6,543,819)	$ (206,046)	$ (6,749,865)

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

EIGHT SOLUTIONS INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash provided by (used in):		
Cash flows from operating activities:		
Net income (loss) for the period	$ (2,520,973)	$ 543,053
Adjustments for:		
Amortization	35,846	1,283,962
Amortization of lease inducement	(12,703)	(38,110)
Stock based compensation	105,513	99,372
Gain on disposition (note 4)	-	(2,000,000)
Gain on debt conversion	-	(36,000)
Deferred income tax recovery	(19,363)	(331,467)
Finance expense	310,659	139,635
	(2,101,021)	(339,555)
Changes in non-cash working capital:		
Trade and other receivables	7,161	770,045
Deferred revenue	532,851	61,217
Prepaids	13,245	-
Trade payables and accrued liabilities	139,847	110,348
Net cash from (used in) operating activities	(1,407,917)	602,055
Cash flows from financing activities:		
Decrease in bank indebtedness	-	(1,800,000)
Increase in short term loan payable (note 14)	1,000,000	-
Increase (decrease) in government loan (note 13)	(45,800)	448,453
Increase (decrease) in shareholder loans	1,330,000	(375,000)
Proceeds from issuance of share capital	-	90,000
Interest paid	(48,397)	(194,015)
Net cash from (used in) financing activities	2,235,803	(1,830,562)
Cash flows from investing activities:		
Purchase of property and equipment	(4,768)	(47,956)
Short-term investment	(541)	-
Cash received on disposition (note 4)	-	2,000,000
Net cash from (used in) investing activities	(5,309)	1,952,044
Increase in cash and cash equivalents	822,577	723,537
Cash and cash equivalents, beginning of period	47,088	179,865
Cash and cash equivalents, end of period	$ 869,665	$ 903,402

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

1. Reporting entity and going concern:

Eight Solutions Inc. was incorporated on January 24, 2011 pursuant to the provisions of the *Business Corporations Act* (British Columbia). The address of the Company's operating office is Suite 100, 138 East 7th Avenue, Vancouver, B.C., Canada. The unaudited condensed consolidated interim financial statements of the Company as at June 30, 2018 and for the three month period then ended comprise of the Company and its subsidiaries, Eight Technologies Inc., Eight Productions Corp., Eight Interactive Media Corp., 8055661 Canada Inc., and Reelhouse Media Ltd. ("Reelhouse") (together referred to as the "Company" and individually as "Company entities"). The Company is in the business of developing cloud-based data management and analytic software, a high-speed file transfer software and an online film distribution platform.

These unaudited condensed consolidated interim financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its liabilities in the normal course of business. As at June 30, 2018, the Company had a working capital deficiency of $3,373,585 and a deficit of $32,122,569. These conditions raise significant doubt about the Company's ability to continue as a going concern.

The Company's future operations are dependent upon many factors, including the ability of the Company to generate sufficient profit and cash flows from operations. The decision to fund the Company is ultimately at the lenders' or investors' discretion, and there is no guarantee that funds will be provided at reasonable rates, or at all. These unaudited condensed consolidated interim financial statements do not reflect adjustments to the carrying values of assets and liabilities and the classifications used on the unaudited condensed consolidated interim statement of financial position that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

2. Basis of presentation:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in compliance with IAS 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), on a basis consistent with those followed in the most recent annual consolidated financial statements. These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These unaudited condensed consolidated interim financial statements were approved for issuance by the Board of Directors on August 24, 2018.

(b) Basis of measurement:

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis.

2. Basis of presentation y(continued):

(c) Functional and presentation currency:

The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

(d) Use of estimates and judgments:

The preparation of the unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Use of estimates:

Revenue recognition – percentage completion:
Determining the amount of revenue to be recognized requires estimating the amount of the contract that has been completed during the reporting period.

Convertible promissory note:
Determining the fair value of the convertible debenture and the allocation of its value between equity and liabilities

Government loan:
Determining the fair value of the government loan.

Share-based payments and warrants:
Determining the fair value of share-based payments and warrants upon issuance.

Significant judgments made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the application of the going concern assessment.

3. Changes in accounting policies:

The accompanying financial information reflects the same accounting policies and methods of application as the Company's consolidated financial statements for the year ended December 31, 2017 with the exception of the following new standards adopted:

3. Changes in accounting policies (continued):

IFRS 9 - Financial Instruments:

In July 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes a model for classification and measurement of financial assets; a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company has adopted IFRS 9 in its current financial statements, without any signification measurement differences.

IFRS 15 - Revenue from Contracts with Customers:

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts, and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company has adopted IFRS 15 in its current financial statements, without any measurement differences.

4. 3D technology disposition:

On May 1, 2017, the Company signed an Asset Purchase Agreement ("APA") and a Technology Support Agreement ("TSA") with Gener8 Digital Media Services Ltd., a subsidiary of Prime Focus Limited ("Prime Focus"), in connection with the Technology License Termination Agreement between the Company and Prime Focus which was signed on March 31, 2017 (together called the "Transaction"). Upon receiving shareholder and regulatory approval, the Transaction closed on May 30, 2017 (the "Closing Date"). Pursuant to the terms of the Transaction, the Company received $2 million on the sale of its 3D conversion technology plus $3 million for terminating its original license agreement and settling the remaining license payments. Of the total $5 million, the Company received a $1 million license payment on March 23, 2017 which was also due under the Technology License Agreement but now applied towards the License Termination Agreement as payment per the terms of the Transaction and $1 million on April 4, 2017. The balance was received on the closing date of the Transaction. The TSA is an 18 month agreement totaling an estimated $810,000 in fees with an option for Prime Focus to renew for further one year terms. The Company's 3D conversion technology had a carrying value of nil, which resulted in a gain on disposition of $2 million being recognized during the period ended June 30, 2017. The remaining $2 million in license payments received has been recognized in revenue during the period ended June 30, 2017 as all of the Company's obligations have been met.

5. Related party transactions:

(a) Convertible promissory note due to shareholder:

On July 28, 2015, the Company entered into an agreement to convert an aggregate of $2,932,869 of indebtedness owed to the Company's majority shareholder, through the issuance of 2,847,738 common shares at a deemed issuance price of $0.50 per common share and an unsecured convertible debenture (the "Debenture") in the principal amount of $1,500,000 with a maturity date of January 27, 2018. Under the terms of the Debenture, the remaining outstanding balance of the indebtedness owed in the amount of $1,500,000 has been amended such that the previous demand loan bearing interest at 7.5% payable quarterly has been reduced to an interest rate of 6% and all amounts outstanding under the loan are convertible into common shares of the Company at a conversion price of $0.55 per common share at the option of the holder. On the date of issuance, the convertible promissory note was accounted for at fair value with $40,431 recorded as a deferred tax asset netted against the equity portion of the convertible promissory note of $155,504 with $115,073 recorded in equity and $1,344,496 as the fair value of the liability portion of the convertible promissory note. In the December 31, 2017 audited consolidated statement of financial position, the carrying value of the convertible promissory note was reported to be $1,495,157; the carrying value has since been recast to be $1,729,602 due to interest accruals that were unaccounted for. The total non-cash impact of the recast was an increase of $234,445 to the convertible promissory note and deficit, of which $100,703 related to interest expense for the 2017 annual period, $94,853 related to interest expense for the 2016 annual period and $38,889 related to interest expense for the 2015 annual period. The impact for the six months ended June 30, 2017 was an increase to finance expense of $49,598.

On January 19, 2018 the Company entered into an agreement with the Company's founding shareholder to extend the maturity date of the Debenture. The Debenture was amended to extend the conversion period from January 27, 2018 to March 31, 2019 and the conversion price has been amended from $0.55 to $0.14. On the date of issuance, the amended convertible promissory note was accounted for at fair value with $19,363 recorded as a deferred tax asset netted against the equity portion of the convertible promissory note of $93,836 with $74,473 recorded in equity and $1,406,164 as the fair value of the liability portion of the convertible promissory note. As at June 30, 2018, the carrying value of the liability portion of the convertible promissory note and interest is $1,719,319 (December 31, 2017 - $1,729,602).

(b) Promissory note due to founding shareholder:

On November 26, 2015, the Company's majority shareholder provided a demand loan facility to the Company to borrow up to $1,000,000 and has subsequently been increased to $2,350,000. The shareholder has agreed to not demand repayment of any drawings against the facility until at least July 1, 2019, although the Company has the option to make earlier repayments. The loan bears interest of 12%. The loan is secured by a general security

5. Related party transactions (continued):

(b) Promissory note due to founding shareholder (continued):

agreement against the assets of the Company. As at June 30, 2018, $2,490,561 (December 31, 2017 - $1,085,904) was accrued on this facility, including interest.

(c) Reelhouse convertible promissory notes:

As at June 30, 2018 and December 31, 2017, the Company indirectly held a $333,034 convertible promissory note in Reelhouse. The carrying value of the convertible promissory note was recorded at fair value but is eliminated upon consolidation. The Company indirectly held has the option to convert the note into common shares of Reelhouse at a price of $0.15 per share.

The founding shareholder of the Company holds a $270,000 convertible promissory note and 333,333 common shares of Reelhouse, which were received in exchange for the shareholder settling certain amounts owing to the Company and for software development services provided to Reelhouse by the Company in 2012. The shareholder reimbursed the Company for the cost of the services provided by way of a reduction of $320,000 of the amount otherwise due to the shareholder. This promissory note is non-interest bearing and can be converted at any time into common shares of Reelhouse at the option of the holder at $0.06 per common share. Although the note is due on demand, the holder has confirmed in writing that the note will not be demanded for repayment before July 1, 2019.

Another shareholder of the Company holds a $30,000 convertible promissory note with similar terms, which can be converted into common shares of Reelhouse at any time at the option of the holder at $0.15 per common share. The $30,000 note is due on demand, and both notes bear interest at 4%. An unrelated party also holds a convertible promissory note of $20,000 USD ($25,615 CAD) with an interest rate at 4%. The convertible promissory note is payable upon demand and can be converted into common shares of Reelhouse upon the next equity financing of greater than $1,000,000 USD at 80% of the price paid per share.

These convertible notes, which were acquired as part of the Reelhouse acquisition, are considered to be compound financial instruments. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

The carrying value of the liability components of these convertible promissory notes approximates fair value due to the nature of the notes. The difference between the total fair value of the convertible promissory notes and the liability components were allocated as the equity components to non-controlling interest (“NCI”) on acquisition and represent other NCI.

(Expressed in Canadian dollars, unless otherwise indicated)

6. Revenue:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
3D licensing and support revenue	$ 105,000	$ 2,150,000	$ 220,000	$ 2,655,000
Cumul8 licensing and other revenue	721,317	168,572	954,057	274,092
Total	$ 826,317	$ 2,318,572	$ 1,174,057	$ 2,929,092

7. Employee expenses:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Research and development	$ 940,705	$ 898,775	$ 1,933,039	$ 1,820,131
General and administrative	362,840	345,627	734,101	719,213
Total	$ 1,303,545	$ 1,244,402	$ 2,667,140	$ 2,539,344

8. Finance expense:

	Three months ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Interest expense	$ 148,366	$ 42,680	$ 270,542	$ 108,826
Financing fees	7,830	4,930	17,957	15,630
Service charges	8,048	8,031	22,160	15,179
Total	$ 164,244	$ 55,641	$ 310,659	$ 139,635

9. Trade and other receivables:

	June 30, 2018	December 31, 2017
Trade receivables	$ 65,766	$ 95,464
Unbilled revenue	35,000	12,463
Total	$ 100,766	$ 107,927

(Expressed in Canadian dollars, unless otherwise indicated)

10. Short-term investment:

As at June 30, 2018 Reelhouse held 3.560265 Bitcoin and 3.5197 Bitcoin cash as customers of Reelhouse are able to pay for services and content using Bitcoin. The book value as at June 30, 2018 of the Bitcoin and Bitcoin cash was $2,418 (December 31, 2017 - $1,877).

11. Property and equipment:

Cost	Balance at January 1, 2018	Additions	Disposals	Balance at June 30, 2018
Computer hardware	$ 131,270	$ 4,768	$ -	$ 136,038
Furniture and equipment	6,614	-		6,614
Leasehold improvements	398,491	-	-	398,491
Total	$ 536,375	$ 4,768	$ -	$ 541,143

Cost	Balance at January 1, 2017	Additions	Disposals	Balance at December 31, 2017
Computer hardware	$ 34,336	$ 96,934	$ -	$ 131,270
Furniture and equipment	-	6,614	-	6,614
Leasehold improvements	398,491	-	-	398,491
Total	$ 432,827	$ 103,548	$ -	$ 536,375

Accumulated amortization	Balance at January 1, 2018	Amortization expense	Disposals	Balance at June 30, 2018
Computer hardware	$ 37,996	$ 21,234	$ -	$ 59,230
Furniture and equipment	827	1,102	-	1,929
Leasehold improvements	384,981	13,510	-	398,491
Total	$ 423,804	$ 35,846	$ -	$ 459,650

Accumulated amortization	Balance at January 1, 2017	Amortization expense	Disposals	Balance at December 31, 2017
Computer hardware	$ 10,462	$ 27,534	$ -	$ 37,996
Furniture and equipment	-	827	-	827
Leasehold improvements	305,283	79,698	-	384,981
Total	$ 315,745	$ 108,059	$ -	$ 423,804

(Expressed in Canadian dollars, unless otherwise indicated)

11. Property and equipment (continued):

Carrying amounts, net book value	June 30, 2018	December 31, 2017
Computer hardware	$ 76,808	$ 93,274
Furniture and equipment	4,685	5,787
Leasehold improvements	-	13,510
Total	$ 81,493	$ 112,571

12. Trade payables and accrued liabilities:

	June 30, 2018	December 31, 2017
Trade accounts payable	$ 307,251	$ 169,967
Salary and benefits payable	219,599	143,123
Accrued liabilities	96,670	130,465
Total	$ 623,520	$ 443,555

13. Government loan payable:

On May 22, 2015, the Company entered into an agreement with the Minister of Western Economic Diversification Canada (“the Minister”) to borrow up to $1,375,000. The Minister funds 50% of certain costs incurred in the development and commercialization of the Company’s data visualization product as specified in the terms of the agreement. The Company requests funding on a quarterly basis. The Company shall repay any amounts owing in equal instalments starting May 1, 2018 for 59 consecutive months ending April 1, 2023,. The loan is unsecured and interest accrues at the average bank rate plus 3%, compounding monthly, and only accrues on the due date of the installment payment and ends on the day before the day on which the installment payment is received. As at June 30, 2018, the Company has borrowed $1,329,189 (December 31, 2017 - $1,374,989). Given the interest-free period, an accretion expense of $63,105 was recorded during the six months ended June 30, 2018. Using the effective interest rate method, the loan’s carrying value as at June 30, 2018 is $1,004,723 (December 31, 2017 - $987,418).

14. Short term loan payable:

On June 28, 2018, the Company received a $1,000,000 loan from the BID Group Technologies Ltd. (“BID Group”) and upon TSX Venture exchange approval, the loan becomes a convertible debenture with an interest rate of 6% and convertible at any time into common shares of the Company at the option of the holder at $0.15 per common share. The convertible debenture matures on the date that is one year from the date of issuance subject to the right of the BID Group to extend the maturity out by one year (note 19).

(Expressed in Canadian dollars, unless otherwise indicated)

15. Commitments and contingencies:

(a) Commitments:

As at June 30, 2018, non-cancellable operating lease rentals are payable as follows:

2018	$	167,684
2019		335,368
2020		335,368
2021		55,895
Total	$	894,315

The Company has an operating lease for its office facility. Lease payments are increased annually to reflect market rentals.

The Company also has a royalty agreement with a business partner to pay royalty for all Cumul8 sales into the forestry sector.

16. Shareholders' deficiency:

(a) Share capital:

Authorized:
- Unlimited common shares without par value with special rights
- Unlimited class A preferred shares without par value, convertible
- Unlimited class B preferred shares without par value
- Unlimited class C preferred shares without par value

Class A preferred shares are convertible at the option of the holder, at any time into such number of fully paid and non-assessable common shares. The conversion price for each preferred share shall initially be equal to the original issue price.

Upon the occurrence of certain events in the future, the class A preferred shares will be converted into common shares at the then effective conversion price.

As at June 30, 2018, the Company has no preferred shares issued and outstanding.

Issuance of common shares:

On January 20, 2017, the Company issued 450,000 common shares at a price of $0.20 per common share to one of its creditors to settle a debt of $90,000. Given the market price on the date of issuance was at $0.12 per common share, a gain of $36,000 was recorded due to the higher price per common share at which the debt was settled compared to the market price of the date issuance.

(Expressed in Canadian dollars, unless otherwise indicated)

16. Shareholders' deficiency (continued):

(a) Share capital (continued):

On February 1, 2017 the Company issued 409,091 common shares at a price of $0.11 per common share for gross proceeds of $45,000 to an industry partner in accordance with their product development and royalty agreement; on May 23, 2017, 500,000 common shares were issued at $0.09 for gross proceeds of $45,000; on August 11, 2017, 500,000 common shares were issued at $0.09 per common share for gross proceeds of $45,000; and on November 7, 2017 the Company issued 562,500 common shares at a price of $0.08 per common share for gross proceeds of $45,000.

On October 12, 2017 the Company closed a non-brokered private placement offering of 19,929,072 units ("Unit") at a price of $0.07 per Unit for a total gross total proceeds of $1,395,035. Each Unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one common share at a price of $0.15 per common share for a period of 36 months following the closing date. The Warrants are subject to an acceleration clause wherein, in the event the Company's shares trade at a price greater than $1.00 per common share for a period of at least 30 consecutive trading days, the Company may accelerate the expiry date of the Warrants with reasonable written notice. On November 23, 2017 the Company closed off the 2nd tranche of its non-brokered private placement offering of 520,593 Units at a price of $0.07 per Unit for a total gross proceeds of $36,442.

Warrant activity from December 31, 2016 to June 30, 2018 is as follows:

	Common shares warrants	Weighted average exercise price
Outstanding, December 31, 2016	2,272,370	$ 0.60
Issuance pursuant to private placement	10,224,848	$ 0.15
Expiration of warrants	(2,072,370)	$ 0.60
Outstanding, December 31, 2017	10,424,848	$ 0.16
Expiration of warrants	(200,000)	$ 0.60
Outstanding, June 30, 2018	10,224,848	$ 0.15

The weighted average remaining contractual life of the warrants outstanding is 2.3 years (June 30, 2017 – 1.1 years).

No warrants were issued in the six-month period ended June 30, 2018 (June 30, 2017 – nil).

(Expressed in Canadian dollars, unless otherwise indicated)

16. Shareholders' deficiency (continued):

(b) Loss per share:

The following table sets forth the computation of loss per common share:

	Three month period ended June 30, 2018	Three month period ended June 30, 2017	Six month period ended June 30, 2018	Six month period ended June 30, 2017
Net income attributable to the Shareholders of the Company	$ (1,036,691)	$ 2,280,556	$ (2,500,565)	$ 875,841
Weighted average number of common shares outstanding	76,733,875	54,930,501	76,733,875	54,581,228
Dilutive stock options and warrants	-	50,940	-	50,940
Earnings (loss) per share:				
Basic	$ (0.01)	$ 0.04	$ (0.03)	$ 0.02
Diluted	(0.01)	0.04	(0.03)	0.02

17. Stock-based compensation plans:

Effective July 15, 2011, the Company adopted a Stock Option Plan. The purpose of the Stock Option Plan is to retain the services of valued key employees and consultants of the Company. Under the Stock Option Plan, the Plan Administrator is authorized to grant Stock Options to acquire up to a total of ten percent (10%) of the total number of issued common shares of the Company (calculated on a non-diluted basis) at the time a Stock Option is granted.

Stock option activity from December 31, 2016 to June 30, 2018 is as follows:

	Common shares under option	Weighted average exercise price
Outstanding, December 31, 2016	3,694,218	$ 0.42
Granted	2,877,500	0.10
Forfeited, cancelled or expired	(1,196,248)	0.52
Outstanding, December 31, 2017	5,375,470	$ 0.23
Granted	1,785,000	0.13
Forfeited, cancelled or expired	(160,108)	0.20
Outstanding, June 30, 2018	7,000,362	$ 0.20

(Expressed in Canadian dollars, unless otherwise indicated)

17. Stock-based compensation plans (continued):

At June 30, 2018, 3,261,146 (June 30, 2017 – 2,721,706) options were exercisable. The weighted average remaining contractual life of the options outstanding is 6.81 years (June 30, 2017 – 7.28 years).

(a) Valuation of share options:

The fair values of all share-based payments were measured based on the Black-Scholes option-pricing model. Expected volatility was calculated based on the Company's stock price. The inputs used in the measurement of the fair values at grant dates of the share-based payments as at June 30, 2018 and June 30, 2017 are the following:

	June 30, 2018	June 30, 2017
Expected volatility	121%	120%
Expected life of options	6.5 years	1.5 – 6.5 years
Dividend yield	0.0%	0.0%
Risk free interest rate	1.74-2.00%	0.64-0.90%
Fair value per share	$0.11	$0.06 - $0.08
Forfeiture rate	19.9%	18.0-19.0%

(b) Total stock based compensation expense:

Total stock based compensation expense for the period ended June 30, 2018 was $105,513 (June 30, 2017 – $99,372).

18. Financial instruments:

(a) Fair values:

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The carrying amounts for cash and cash equivalents, trade and other receivables, and trade payables and accrued liabilities approximate their fair value because of the limited term of the instruments. The carrying amounts of the convertible promissory notes, short-term loan payable,

18. Financial instruments (continued):

(a) Fair values (continued):

short term investments and government loan payable approximate their fair value because the terms are consistent with similar instruments. All of the instruments have a fair value hierarchy of Level 3 excluding cash and cash equivalents which is Level 1. It is not possible to determine the fair value of the shareholder promissory notes as there is no comparable market value for such loans.

19. Subsequent events:

On August 20, 2018, the Company received approval from the TSX Venture exchange for the issuance of the convertible debenture previously classified as a short-term loan (note 14). The convertible debenture bears interest of 6% and can be converted at any time into common shares of the Company at the option of the holder at $0.15 per common share. The convertible debenture matures on the date that is one year from the date of issuance subject to the right of the BID Group to extend the maturity out by one year.

On August 20, 2018, the Company closed a non-brokered private placement offering of 2,050,000 units (“Unit”) at a price of $0.10 per Unit for a total gross total proceeds of $205,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to acquire one common share at a price of $0.20 per common share for a period of 24 months following the closing date. The Warrants are subject to an acceleration clause wherein, in the event the Company’s shares trade at a price greater than $1.00 per common share for a period of at least 30 consecutive trading days, the Company may accelerate the expiry date of the Warrants with reasonable written notice.