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

FORM 8-K/A
Amendment No. 1

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 9, 2019

INPIXON
(Exact name of registrant as specified in its charter)

Nevada	**001-36404**	**88-0434915**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

2479 E. Bayshore Road, Suite 195 Palo Alto, CA	**94303**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(408) 702-2167**

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Trading Symbol(s)**	**Name of Each Exchange on Which Registered**
Common Stock	INPX	The Nasdaq Capital Market

Explanatory Note

This Amendment No. 1 to Inpixon's Current Report on Form 8-K (the "Amended Form 8-K") amends Inpixon's original Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission (the "SEC") on July 11, 2019, which was filed in connection with Inpixon's proposed acquisition (the "Transaction") of Jibestream Inc. ("Jibestream") pursuant to a Share Purchase Agreement, dated July 9, 2019. This Amended Form 8-K is filed to provide the: (i) audited consolidated financial statements of Jibestream, which include the consolidated statements of financial position as at December 31, 2018 and December 31, 2017 and January 1, 2017, and the consolidated statements of loss and comprehensive loss, changes in deficit and cash flows for the years ended December 31, 2018 and December 31, 2017, and the notes related thereto (collectively, the "Audited Consolidated Financial Statements"); (ii) unaudited condensed interim consolidated financial statements of Jibestream, which include the consolidated statements of financial position as at March 31, 2019 and December 31, 2018, and the consolidated statement of loss and comprehensive loss, changes in deficit, and cash flows for the three months ended March 31, 2019 and March 31, 2018, and the notes related thereto (collectively, the "Interim Unaudited Consolidated Financial Statements"), and (iii) Inpixon and Jibestream's unaudited pro forma condensed combined financial statements, which include the unaudited pro forma condensed combined balance sheet as of March 31, 2019, the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2019 and for the year ended December 31, 2018, and the notes related thereto (collectively, the "Unaudited Pro Forma Condensed Combined Financial Statements").

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses to be acquired.

The Audited Consolidated Financial Statements and the notes related thereto, and the Interim Unaudited Consolidated Financial Statements and the notes related thereto are included as Exhibits 99.1 and 99.2, respectively, to this Amended Form 8-K and incorporated herein by reference.

(b) Pro forma financial information.

The Unaudited Pro Forma Condensed Combined Financial Statements of Inpixon and Jibestream and the notes related thereto, included as Exhibit 99.3 to this Amended Form 8-K, present the consolidated result of operations of Inpixon and Jibestream, as if the proposed acquisition had occurred on January 1, 2018 in respect of the unaudited pro forma condensed combined statements of operations and on March 31, 2019 in respect of the unaudited pro forma condensed combined balance sheet. The foregoing pro forma financial information is hereby incorporated by reference.

(d) Exhibits.

Exhibit No.	Description
23.1*	Consent of MNP LLP
99.1*	Jibestream's Audited Consolidated Financial Statements and the notes related thereto.
99.2*	Jibestream's Interim Unaudited Consolidated Financial Statements and the notes related thereto.
99.3*	Inpixon and Jibestream's Unaudited Pro Form Condensed Combined Financial Statements and the notes related thereto.

* Filed herewith.

Cautionary Note Regarding Forward-Looking Statements

The information contained in this Amended Form 8-K and the exhibits attached hereto contain "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements related to the Transaction. The words "intend," "may," "should," "would," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other comparable terminology are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. While Inpixon believes its plans, intentions and expectations reflected in those forward-looking statements are reasonable, these plans, intentions or expectations may not be achieved. Inpixon's actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements. For information about the factors that could cause such differences, please refer to Inpixon's filings with the SEC. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Inpixon assumes no obligation to update any forward-looking statement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INPIXON

Date: July 25, 2019

By: /s/ Nadir Ali
Name: Nadir Ali
Title: Chief Executive Officer

Exhibit 23.1

Independent Registered Public Accounting Firm's Consent

We consent to the incorporation by reference in the Registration Statement of Inpixon on Form S-3 [File No. 333-223960]; Registration Statements on Form S-8 [File No. 333-230965]; [File No. 333-229374]; [File No. 333-224506]; [File No. 333-216295] and [File No. 333-195655]; and Registration Statement on Form S-1 [File No. 333-232448] of our report, which includes an explanatory paragraph as to Jibestream Inc.'s ability to continue as a going concern, dated July 15, 2019, with respect to our audits of the consolidated financial statements of Jibestream Inc. as of December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017, appearing in the Current Report on Form 8-K/A of Inpixon filed on July 25, 2019.

/s/ MNP LLP

MNP LLP
Toronto, ON
July 25, 2019

Exhibit 99.1

Jibestream Inc.
Consolidated Financial Statements
December 31, 2018, December 31, 2017 and January 1, 2017

Independent Auditor's Report

To the Shareholders of Jibestream Inc.:

Opinion

We have audited the consolidated financial statements of Jibestream Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017 and January 1, 2017, and the consolidated statements of loss and comprehensive loss, changes in deficit and cash flows for the years ended December 31, 2018 and December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017 and January 1, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to the Going Concern Assumption

Without qualifying our opinion, we draw attention to Note 3 of the notes to the consolidated financial statements which indicates that the Company incurred net losses of $1,600,707 and $1,943,083 for the years ended December 31, 2018 and December 31, 2017, respectively. As at December 31, 2018, the Company has a working capital deficiency of $3,240,378. These conditions, along with other matters set forth in Note 3, indicate the existence of material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

Emphasis of Matter - Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements which describes that Jibestream Inc. adopted International Financial Reporting Standards on January 1, 2018 with a transition date of January 1, 2017. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated statement of financial position as at December 31, 2017 and January 1, 2017, and the consolidated statements of loss and comprehensive loss, changes in deficit and cash flows for the year ended December 31, 2017 and related disclosures.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Toronto, Ontario — Chartered Professional Accountants

July 15, 2019 — Licensed Public Accountants

	2018	*2017*	*January 1 2017*
Assets			
Current			
Cash	**18,058**	215,166	287,215
Restricted short-term investments *(Note 8)*	**205,000**	-	-
Accounts receivable *(Note 5)*	**285,728**	709,430	375,133
Investment tax credits receivable *(Note 6)*	**45,000**	113,613	588,023
Prepaid expenses and deposits	**80,104**	89,163	50,206
Unbilled revenue	**-**	358,930	877,455
	633,890	1,486,302	2,178,032
Non-current			
Property and equipment *(Note 7)*	**22,132**	47,225	71,355
	656,022	1,533,527	2,249,387
Liabilities			
Current			
Bank indebtedness *(Note 8)*	**394,000**	420,000	-
Accounts payable and accrued liabilities *(Note 12)*	**272,680**	295,625	404,214
Deferred rent	**102,367**	141,994	175,005
Deferred revenue	**1,451,887**	1,438,664	1,064,364
Convertible promissory notes *(Note 12)*	**47**	-	-
Current portion of long-term debt *(Note 9)*	**221,621**	22,396	-
Current portion of convertible debentures *(Note 10)*	**550,080**	594,890	-
Current portion of promissory notes - shareholders *(Note 11)*	**36,770**	69,722	91,465
Derivative liability - convertible debentures *(Note 10)*	**142,816**	130,261	171,817
Derivative liability - convertible promissory notes *(Note 12)*	**702,000**	-	-
	3,874,268	3,113,552	1,906,865
Non-current			
Long-term debt *(Note 9)*	**344,441**	431,786	-
Convertible debentures *(Note 10)*	**-**	-	438,936
Promissory notes - shareholders *(Note 11)*	**341,665**	330,772	321,355
Preferred shares *(Note 15)*	**1,903,800**	1,903,800	1,903,800
	6,464,174	5,779,910	4,570,956
Commitments *(Note 13)*			
Subsequent event *(Note 21)*			
Shareholders' Deficit			
Share capital *(Note 15)*	**150,100**	150,100	150,100
Deficit	**(6,131,711)**	(4,531,004)	(2,587,921)
Contributed surplus *(Note 14)*	**173,459**	134,521	116,252
	(5,808,152)	(4,246,383)	(2,321,569)
	656,022	1,533,527	2,249,387

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

Jibestream Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2018 and December 31, 2017

	2018	*2017*
Revenue *(Note 20)*	**3,163,210**	3,708,560
Operating expenses		
Salaries, wages and benefits *(Note 6)*	**3,144,508**	3,975,873
Office and general	**416,921**	451,701
Occupancy	**344,712**	351,212
Interest *(Note 8), (Note 9), (Note 10), (Note 11), (Note 12)*	**171,310**	119,149
Advertising and promotion	**125,619**	158,798
Travel and entertainment	**118,590**	112,861
Professional fees	**110,922**	192,950
Bad debts	**58,113**	62,079
Amortization	**25,093**	34,874
Sub-contracts	**7,004**	-
Foreign exchange loss (gain)	**(70,603)**	84,250
Dues and memberships	**-**	2,034
Other expenses (income)		
Accretion expense *(Note 10), (Note 12)*	**215,634**	129,149
Loss (gain) on derivative liability - convertible debentures *(Note 10)*	**12,555**	(41,556)
Gain on extinguishment of convertible debentures *(Note 10)*	**(287,399)**	-
Loss on derivative liability - convertible promissory notes *(Note 12)*	**332,000**	-
Share-based compensation *(Note 14)*	**38,938**	18,269
	311,728	105,862
Loss before income taxes	**(1,600,707)**	(1,943,083)
Net loss and comprehensive loss	**(1,600,707)**	(1,943,083)

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

	Share capital	*Contributed surplus*	*Deficit*	*Total Shareholders' Deficit*
Balance January 1, 2017	**150,100**	**116,252**	**(2,587,921)**	**(2,321,569)**
Net loss and comprehensive loss	**-**	**-**	**(1,943,083)**	**(1,943,083)**
Recognition of share-based compensation	**-**	**18,269**	**-**	**18,269**
Balance December 31, 2017	**150,100**	**134,521**	**(4,531,004)**	**(4,246,383)**
Net loss and comprehensive loss	**-**	**-**	**(1,600,707)**	**(1,600,707)**
Recognition of share-based compensation	**-**	**38,938**	**-**	**38,938**
Balance December, 31, 2018	**150,100**	**173,459**	**(6,131,711)**	**(5,808,152)**

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

	2018	*2017*
Cash provided by (used for) the following activities Operating activities		
Net loss and comprehensive loss	**(1,600,707)**	(1,943,083)
Share-based compensation	**38,938**	18,269
Accrued interest on convertible debentures	**26,681**	22,757
Amortization of property and equipment	**25,093**	34,874
Accrued interest on promissory notes - shareholders	**10,522**	10,940
Loss (gain) on derivative liability - convertible debentures *(Note 10)*	**12,555**	(41,556)
Accretion expense	**215,634**	129,149
Amortization of financing fees	**321**	4,048
Gain on extinguishment of convertible debentures *(Note 10)*	**(287,399)**	-
Loss on derivative liability - convertible promissory notes *(Note 12)*	**332,000**	-
	(1,226,362)	(1,764,602)
Changes in working capital accounts		
Accounts receivable	**423,702**	(334,297)
Prepaid expenses and deposits	**9,059**	(38,957)
Accounts payable and accrued liabilities	**(22,945)**	(108,589)
Unbilled revenue	**358,930**	518,525
Deferred revenue	**13,223**	374,300
Investment tax credits receivable	**68,613**	474,410
Deferred rent	**(39,627)**	(33,011)
	(415,407)	(912,221)
Financing activities		
Bank indebtedness	**(26,000)**	420,000
Purchase of short-term investments	**(205,000)**	-
Proceeds from long-term debt	**111,880**	454,182
Repayments of promissory notes - shareholders	**(32,581)**	(23,266)
Proceeds from issuance of convertible promissory notes	**370,000**	-
	218,299	850,916
Investing activities		
Purchases of property and equipment	**-**	(10,744)
	-	(10,744)
Change in cash	**(197,108)**	(72,049)
Cash, beginning of year	**215,166**	287,215
Cash, end of year	**18,058**	215,166

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

1. Incorporation and nature of operations

Jibestream Inc. (the "Company") was incorporated under the laws of Canada on August 24, 2009. The Company's principal business activities are the development, sales, marketing and support of software solutions for mapping, proximity, data and business rules in the retail, healthcare, corporate campus and government sectors. The Company's solutions are sold through an established group of strategic partners, value added resellers and a direct sales team. The Company's solutions are powered by its proprietary technology. While the Company's products are available internationally through resellers in Europe, Asia Pacific and Latin American regions, the majority of its sales are generated in North America. The Company's head office and principal address is Suite 101, 455 Dovercourt Road, Toronto, Ontario, Canada, M6H 2W3.

2. First time adoption and statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). This is the first time the Company has prepared its consolidated financial statements in accordance with IFRS, having previously prepared its consolidated financial statements in accordance with Canadian Accounting Standards for private entities ("ASPE"). IFRS 1 ("IFRS 1") has been applied in preparing these consolidated financial statements.

The significant accounting policies described in Note 4 have been applied consistently to all periods presented, including the opening consolidated statement of financial position as at January 1, 2017 (IFRS transition date).

These consolidated financial statements were approved by the Company's board of directors on July 15, 2019.

3. Basis of preparation

Basis of measurement and going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The Company incurred net losses of $1,600,707 and $1,943,083 for the years ended December 31, 2018 and December 31, 2017, respectively. As at December 31, 2018, the Company has a working capital deficiency of $3,240,378. Furthermore, the Company is in negotiations with several of it's creditors to renegotiate agreements as the Company has breached related covenants which provides its creditors with the right to demand repayment of the related debt (see Notes 8, 9, 10 and 11 for further details). These conditions raise significant doubt and cast material uncertainty as to the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to successfully renegotiate the terms of its existing debt, obtain sufficient financing going forward and to generate sufficient cash flows from operations and otherwise to meet its obligations as they come due. It cannot be determined at this time whether these objectives will be realized.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and it's wholly-owned subsidiary Jibestream USA Inc.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

3. Basis of preparation *(Continued from previous page)*

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Significant accounting judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these judgments and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future. The most significant judgments and estimates are as follows:

Judgments

Revenue Recognition

The Company examines the contracts with their customers to determine the individual performance obligations and then allocates the consideration of the contract to each performance obligation. The Company generates revenue principallythrough the sales of software solutions/products and services related to the design and implementation of that software.The Company has determined that performance of the service obligation occurs evenly over the contract term and recognizes revenue rateably over the life of the contract. The Company has determined that performance of the design and implementation of that software occurs over time and has such recognized the revenue over time by measuring the progress towards complete satisfaction of the performance obligation.

Compound financial instruments

The Company examines the terms of its compound financial instruments for the correct classification in shareholders' deficit and/or in liabilities. The Company's convertible debenture has a conversion feature whereby the conversion price is not fixed. This results in liability classification of the conversion feature, and as such is measured at fair value with changes in fair value taken to loss at the end of each reporting period. The Company's convertible promissory notes have a conversion feature whereby the holders are entitled to payments equal to three times the outstanding principal and interest upon the occurrence of a liquidity event. This results in liability classification of the conversion feature as the probability of a future liquidity event is uncertain, and as such is measured at fair value with changes in fair value taken to loss at the end of each reporting period.

Embedded derivatives

Estimating the fair value of conversion features requires determining the most appropriate valuation model, which is dependent on the term and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the conversion feature, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value of conversion features are disclosed in Notes 10 and 12.

Functional currency

The Company's functional currency is dependent on which currency the Company primarily operates in. The Company has assessed its revenues and expenditures, financing, and cash balances, and determined that their primary financing is denominated in Canadian dollars.

Recoverability of property and equipment carrying values

The Company assesses its property and equipment for indications of impairment at least annually or if there are events or changes in circumstances that indicate that carrying values may not be recoverable at the consolidated statement of financial position date. Such indicators include, but are not limited to: changes in the Company's business plans, changes in market conditions and evidence of physical damage.

Determination as to whether and to what degree property and equipment are impaired, involves management's application of judgemental on highly uncertain matters such as future selling and purchasing prices, projected revenues and expenses, the effect of inflation on operating expenses, the Company's weighted average cost of capital and the economics of the industry.

3. Basis of preparation *(Continued from previous page)*

Going concern

The Company assesses its current liquidity and operational environment to determine if the going concern assumption is appropriate.

Key sources of estimation uncertainty

Amortization

Amortization of the Company's property and equipment involves estimates of future useful lives and residual values. These estimates may change as more experience is obtained, thereby impacting the value of the Company's property and equipment.

Share-based payments

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the estimated fair value per share, estimated stock price volatility, estimated lives of the options, estimated dividends to be paid by the Company and risk-free interest rates. Because the Company's stock options have characteristics significantly different from those of publicly traded options and because changes in the input assumptions can materially affect the fair value estimate, such value is subject to measurement uncertainty. The effect on the consolidated financial statements from changes in such estimates in future years could be significant.

Deferred taxes

The calculation of deferred tax is based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude on non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax return have not been prepared as of the date of consolidated financial statement preparation.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in net loss in the years in which they become known. Actual results may differ significantly from management estimates.

Investment tax credits

Investment tax credits ("ITCs") are recognized where there is reasonable assurance that the ITCs will be received, and all attached conditions will be complied with. When the ITCs relates to an expense item, it is netted against the related expense. Where the ITCs relate to an asset, they reduce the carrying amount of the asset. The ITCs are then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. The Company is actively engaged in scientific research and development ("R&D") and, accordingly, has previously filed for ITC refunds under both the Canadian federal and Ontario provincial Scientific Research and Experimental Development ("SRED") tax incentive programs. The ITCs recorded in the accounts are based on management's interpretation of the Income Tax Act of Canada, provisions which govern the eligibility of R&D costs. The claims are subject to review by the Canada Revenue Agency and the Minister of Revenue for Ontario before the refunds can be released.

Recoverability of accounts receivable

Determining whether accounts receivable is recoverable requires management to exercise judgment and consider factors such as the customers credit profile, history of payments and any other factors which may indicate doubt as to recoverability.

Valuation of financial instruments

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of consolidated financial instruments.

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Newly adopted accounting standards

I*FRS 15 Revenue from contracts with customers*

On January 1, 2018, the Company adopted IFRS 15, Revenue from contracts with customers (IFRS 15) which was issued by the IASB on May 28, 2014, and replaces IAS 18, revenue, IAS 11, construction contracts, and related interpretations on revenue for annual periods beginning on January 1, 2018, with early adoption permitted. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 was a control-based approach to recognize revenue which is a change from the risk and reward approach under IAS 18. The Company elected to use the full retrospective approach when adopting this standard., meaning the Company's consolidated financial statements reflect the results and consolidated financial position had this standard been adopted from the date of the Company's incorporation.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 with initial application as at January 1, 2018. The accounting policies were changed to comply with IFRS 9 and replace the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; and impairment of assets and hedge accounting. IFRS 9 also amends other standards dealing with financial instruments such as IFRS 7.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and it's wholly-owned subsidiary Jibestream USA Inc.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

Revenue from contracts with customers

The Company recognizes revenue when it transfers control of its services to the customer. The Company follows a 5-step process to determine whether to recognize revenue:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognizing revenue when/as performance obligations are satisfied

The Company's revenue is derived from fees for the design and implementation of the indoor mapping platform, software licensing, and ongoing monitoring and support of its software products. For purposes of revenue recognition, the design and implementation component is viewed as separable as it has the ability to be purchased in isolation and the substance of the Company's contracts is that this component, and the software licensing and ongoing monitoring and support services, are distinct performance obligations. The following is a description of the principal activities from which the Company produces revenue.

4. Summary of significant accounting policies *(Continued from previous page)*

Design and Implementation Revenue

Design and implementation revenue is accounted for using the percentage of completion method. As soon as the outcome of a contract can be estimated reliably, contract revenue is recognized in the consolidated statement of operations in proportion to the stage of completion of the contract. Contract costs are expensed as incurred. Contract costs include all amounts that relate directly to the specific contract, are attributable to contract activity, and are specifically chargeable to the customer under the terms of the contract.

The stage of completion is assessed by reference to detailed cost estimates of work performed and estimates of work to be completed. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the statement of operations. On an ongoing basis, the estimated total costs for projects are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage of completion calculation of applicable projects in the same period as the change in estimate occurs.

License, Maintenance and Support Services Revenue

For revenues generated from software licensing, maintenance and support services, the Company recognizes revenue upon delivery of the software license and on the related services as and when they are performed. To the extent that, at year end, billings to date exceed total revenue recognized to date for the contract, the excess is recognized as deferred revenue. If at year end, total revenue recognized for the contract exceeds total billings to date, the excess is recognized as an unbilled receivable.

License, maintenance and support services revenue are only recognized when persuasive evidence of an arrangement exists, the price is fixed and determinable and the Company is reasonably assured of collection.

Foreign currency translation

These consolidated financial statements have been presented in Canadian dollars ("CAD"), the functional currency of the Company's operations.

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the consolidated statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

Investment tax credits

Investment tax credits ("ITCs") are recognized where there is reasonable assurance that the ITCs will be received and all attached conditions will be complied with. When the ITCs relates to an expense item, it is netted against the related expense. Where the ITCs relates to an asset, it reduces the carrying amount of the asset. The ITCs is then recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge. The Company is actively engaged in scientific research and development ("R&D") and, accordingly, has previously filed for ITC refunds under both the Canadian federal and Ontario provincial Scientific Research and Experimental Development ("SR&ED") tax incentive programs. The ITCs recorded in the accounts are based on management's interpretation of the Income Tax Act of Canada, provisions which govern the eligibility of R&D costs. The claims are subject to review by the Canada Revenue Agency and the Minister of Revenue for Ontario before the refunds can be released.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Depreciation is provided using the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives.

4. Summary of significant accounting policies *(Continued from previous page)*

The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	*Rate*
Computer equipment	straight-line	3 years
Furniture and fixtures	straight-line	5 years
Leasehold improvements	straight-line	Lease term

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated statements of operations and comprehensive income when the asset is derecognized.

Income taxes

Taxation on the profit or loss for the year comprises of current and deferred tax.

Taxation is recognized in profit or loss except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the year end, and includes any adjustments to tax payable in respect of previous years.

Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Preferred shares

The Company has issued Class A convertible, redeemable preferred shares ("preferred shares"). These shares are convertible into common shares at the rate of one common share for each preferred share and are redeemable at the option of the holder. The preferred shares have a conversion feature that includes a price-based antidilution adjustment. The price-based antidilution adjustment ensures preferred shareholders are made whole in the event of a down financing round at the expense of common shareholders; therefore, the conversion feature was assessed to be a derivative liability, and measured at fair value. The residual amount, being the difference between the subscription amount and the fair value of the derivative liability at the date on which the preferred shares were issued have been classified as a financial liability presented as preferred shares as they are redeemable at the option of the holder. The derivative liability was determined to have a value of $nil as at December 31, 2018.

At each subsequent reporting date, the derivative liability is stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss.

At each subsequent reporting date, the carrying value of the liability component is accreted to the original face value of the preferred share over the redemption period.

4. Summary of significant accounting policies *(Continued from previous page)*

Financial instruments

The Company has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018.

IFRS 9 contains three principle classifications for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL") and eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Classification of financial assets under IFRS 9 is generally based on business model and its contractual cash flow characteristics.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model and applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI.

IFRS 9 does not apply to investments under equity instruments where IAS 39 still applies. Under the ECL model, credit losses are recognised earlier under IFRS 9 when compared to IAS 39. Adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Financial assets and liabilities at fair value through profit or loss ("FVTPL")

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.Financial instruments are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of loss and comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the end of the reporting period, which are classified as non-current.

Financial assets and liabilities at amortized cost

Financial liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2017. Adoption of IFRS 9 did not change the carrying value of the Company's financial assets and liabilities.

4. Summary of significant accounting policies *(Continued from previous page)*

Financial Asset/Liability	*Original classification under IAS 39*	*New classification under IFRS 9*	*Carrying value under IAS 39 and IFRS 9*
Cash	Loans and receivables	Amortized cost	$ 18,058
Restricteds hort-term investments	Loans and receivables	Amortized cost	205,000
Accounts receivable, net	Loans and receivables	Amortized cost	285,728
Investment tax credit receivable	Loans and receivables	Amortized cost	45,000
Bank indebtedness	Amortized cost	Amortized cost	394,000
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	272,680
Promissory notes - shareholders	FVTPL	FVTPL	378,435
Convertible debentures	Fair value	Fair value	550,080
Derivative liability - convertible debentures	FVTPL	FVTPL	142,816
Derivative liability - convertible promissory notes	FVTPL	FVTPL	702,000
Long-term debt	Other financial liabilities	Amortized Cost	566,062

The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ended December 31, 2018.

Convertible debentures

The Company has issued convertible debentures which, on conversion, must be satisfied entirely in cash for an amount equal to the greater of the conversion value and the redemption value of the instrument.

The Company reviews the terms of its convertible debentures to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments. In circumstances where the convertible debentures contain embedded derivatives that are to be separated from the debenture host contracts, the total proceeds received are first allocated to the fair value of the derivative financial instruments determined using the Black Scholes model. The remaining proceeds, if any, are then allocated to the debt host contracts, usually resulting in those instruments being recorded at a discount from their principal amount. This discount is accreted over the expected life of the instruments to profit (loss) using the effective interest method.

The debenture host contracts are subsequently recorded at amortized cost at each reporting date, using the effective interest method. The embedded derivatives are subsequently recorded at fair value at each reporting date, with changes in fair value recognized in profit (loss).

Share-based payments

Directors and employees of the Company receive remuneration in the form of share-based payment transactions, whereby Directors and employees render services as consideration for equity instruments ('equity-settled share-based payments').

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

4. Summary of significant accounting policies *(Continued from previous page)*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the expected volatility of the trading price of the Company's stock, the expected lives of the awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate, as determined at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to contributed surplus.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2018 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 16 Leases

IFRS 16, issued in January 2016, introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will supersede IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard on its consolidated financial statements.

5. Accounts receivable

The Company had the following receivables at the end of each reporting year:

	2018	*2017*	*January 1, 2017*
Trade receivable	**285,307**	760,568	370,182
Harmonized sales tax receivable	**15,362**	23,774	17,784
	300,669	784,342	387,966
Less: Expected credit losses (*Note 16*)	**14,941**	74,912	12,833
	285,728	709,430	375,133

6. Investment tax credits

The Company undertakes certain scientific research and experimental development ("SR&ED") activities. Under a government program, a portion of these expenditures are recoverable by the Company. The Company has recorded the recovery of these expenditures for the year in the amount of $204,059 (2017 - $367,172) as a reduction in salaries, wages and benefits on the consolidated statement of loss and comprehensive loss.

7. Property and equipment

	Computer equipment	*Furniture and fixtures*	*Leasehold improvements*	*Total*
	$	*$*	*$*	*$*
Balance, January 1, 2017	**104,995**	**33,209**	**10,400**	**148,604**
Additions	**10,743**	**-**	**-**	**10,743**
Balance, December 31, 2017	**115,738**	**33,209**	**10,400**	**159,347**
Additions	**-**	**-**	**-**	**-**
Balance, December 31, 2018	**115,738**	**33,209**	**10,400**	**159,347**
Accumulated depreciation				
Balance, January 1, 2017	**66,543**	**9,242**	**1,464**	**77,249**
Additions	**26,282**	**6,642**	**1,949**	**34,873**
Balance, December 31, 2017	**92,825**	**15,884**	**3,413**	**112,122**
Additions	**16,500**	**6,642**	**1,951**	**25,093**
Balance, December 31, 2018	**109,325**	**22,526**	**5,364**	**137,215**
Net book value				
Balance, January 1, 2017	**38,452**	**23,967**	**8,936**	**71,355**
Balance, December 31, 2017	**22,913**	**17,325**	**6,987**	**47,225**
Balance, December 31, 2018	**6,413**	**10,683**	**5,036**	**22,132**

8. Bank indebtedness

The Company has available an operating line of credit of up to a maximum of $655,000 (2017 - $655,000, January 1, 2017 - $750,000) which bears interest at 5.45% per annum. The line of credit is secured by a first-ranking general security agreement (“GSA”) covering all the assets of the Company and is payable on demand. As at December 31, 2018, the Company had drawn $394,000 (2017 - $420,000, January 1, 2017 - $nil) on its line of credit. On August 2, 2018, the creditor of the bank indebtedness (the “Indebtedness Creditor”) demanded repayment of this facility. During the year ended December 31, 2018, the Company recognized interest expense of $27,886 (2017 - $10,901) in relation to its bank indebtedness.

On October 25, 2018, the Company met the Conditions Precedent (outlined below) and executed a forbearance agreement with the Indebtedness Creditor whereby the Company acknowledged the outstanding line of credit balance of $652,076, the outstanding credit card facility with the same creditor of $19,757 and fees to date in relation to the demand for repayment of $26,815, were owed to the Indebtedness Creditor by the Company as of the date of the forbearance agreement and the Indebtedness Creditor agreed not to demand repayment of the facility until the earlier of April 30, 2019 and an event of default by the Company as described in the forbearance agreement. On May 31, 2019, the Indebtedness Creditor agreed to extend the forbearance period to July 31, 2019. The forbearance agreement was subject to the following conditions (the “Conditions Precedent”):

a) A cash injection from the Company’s investors of $370,000 (see Note 12), of which $100,000 would be paid immediately to the Indebtedness Creditor as cash collateral;

b) Execution of similar forbearance agreements (in form satisfactory to the Indebtedness Creditor) with the Company’s long-term debt creditors (Note 9) and the holder of the Company’s convertible debenture (Note 10);

c) A fully executed collateral agreement with the Indebtedness Creditor; and

d) An executed consent form from the Company to the immediate private or court appointment of an interim receiver. This consent is to be held in escrow by the Indebtedness Creditor’s legal counsel to be used in the event of the termination of the Forbearance period if the Company violates any of the terms of the forbearance agreement

Under the collateral agreement (point c) above), the Company is required to provide the Indebtedness Creditor with additional collateral as follows:

a) $30,000 on or before November 30, 2018;

b) $75,000 on or before December 31, 2018;

c) $75,000 on or before January 31, 2019;

d) $50,000 on or before February 31, 2019;and

e) $100,000 on or before March 31, 2019.

8. Bank indebtedness *(Continued from previous page)*

As at December 31, 2018, the Indebtedness Creditor held collateral related to the Company's bank indebtedness of $205,000 (2017 - $nil, January 1, 2017 - $nil) which has been recorded as restricted short-term investments on the consolidated statement of financial position. This collateral is being held in Guaranteed Investment Certificates bearing interest at rates ranging between 1.40% or 1.65% and maturing between October 29, 2019 and December 31, 2019. It is expected that upon the close of the pending sale of the Company (Note 21) that the Indebtedness Creditor will be repaid in full out of the sale proceeds and the collateral will be released.

Under the terms of the forbearance agreement the Company is subject to a number of financial reporting and operational obligations. Failure to meet any of these obligations constitutes and event of default and effectively voids the forbearance agreement. The Company is required to cover specific costs of the Indebtedness Creditor under the terms of the forbearance agreement. As of December 31, 2018, the Company was in compliance with the financial reporting and operational obligations of the forbearance agreement.

9. Long-term debt

	2018	*2017*	*January 1 2017*
Espresso Revolving Credit Facility	**134,277**	-	-
Eastern Ontario Community Futures Development Corporations Network Inc. Term Loan	**431,785**	454,182	-
	566,062	454,182	-
Less: current portion	**221,621**	22,396	-
	344,441	431,786	-

2019	221,621
2020	60,644
2021	67,662
2022	75,492
2023	84,228
Thereafter,	56,415
	566,062

Espresso Revolving Credit Facility

This credit facility is an interest-only loan bearing interest at 15.25% per annum, and was scheduled to mature on December 1, 2018. The loan is secured by first ranking on the Company's investment tax credits receivable. Upon the Company receiving its refund, Espresso has the option to demand repayment of this loan out of the refund proceeds.

9. Long-term debt *(Continued from previous page)*

The credit facility is subject to certain financial covenants which require the Company to maintain at least $75,000 of cash on hand. As at July 31, 2018, the Company was in violation of this covenant and Espresso had the right to demand repayment of this loan. On October 24, 2018, the Company executed a forbearance agreement with Espresso whereby Espresso agreed not to demand repayment or enforce its rights and remedies until the later of April 30, 2019 and the end of the bank indebtedness forbearance period (Note 8). On May 31, 2019, Espresso agreed to extend the forbearance period to July 31, 2019. Under the terms of the forbearance agreement interest from July 31, 2018 to the date at which the indebtedness is paid in full, shall accrue at the Default Interest Rate of 20.25% as defined in the related loan agreement. The Company was also required to pay Espresso the proceeds from the collection of its investment tax credit receivable (Note 6), within one business day of its receipt. On November 19, 2018 the Company received its July 31, 2018 investment tax credit claim of approximately $272,000 and repaid this amount to Espresso.

During the year ended December 31, 2018, the Company recognized interest expense of $50,676 (2017 - $nil) in relation to this credit facility.

Eastern Ontario Community Futures Development Corporations Network Inc. Term Loan ("SOFII loan")

The SOFII loan bears interest at 11% per annum, is repayable in monthly blended principal and interest installments of $8,561, and matures in July 2024. The loan is secured by a GSA over all the assets of the Company which ranks subordinate to the operating line of credit GSA (Note 8) and the Espresso Revolving Credit Facility's claim on the investment tax credits receivable.

The SOFII loan is subject to certain financial and non-financial covenants. As at December 31, 2018, the Company was in compliance with these covenants. On October 22, 2018, as required under the terms of its bank indebtedness forbearance agreement (Note 8), the Company executed a forbearance agreement with SOFII whereby SOFII agreed to interest only payments until April 30, 2019, at which time the Company has agreed and committed to repay the deferred principal payments as required per the terms of the related loan agreement for the period from June 30, 2018 - April 30, 2019. Under the terms of the SOFII forbearance agreement, the Company's CEO agreed to a reduction of his salary by fifty percent during the forbearance period. On May 31, 2019, SOFII agreed to extend the forbearance period to July 31, 2019.

During the year ended December 31, 2018, the Company recognized interest expense of $49,353 (2017 - $43,882) in relation to this credit facility.

10. Convertible debentures

	2018	*2017*	*January 1 2017*
$358,216 (2017 - $106,088; January 1, 2017 - $106,088) , convertible debentures, including accumulated interest and accretion of $191,864 (2017 - $488,802; January 1, 2017 - $332,848)	**550,080**	594,890	438,936
Less: current portion	**550,080**	594,890	-
	-	-	438,936

On November 1, 2012, the Company received $500,000 in exchange for issuing a convertible debenture with a principal balance of $499,990 (the "Debenture") and 105,263 common shares. The common shares had an estimated fair value at the date of issuance of $150,000 based on an estimated share price of $1.45 per share which was recognized as debt issuance costs with a corresponding increase to share capital. The Debenture bears interest at the Bank of Canada prime rate plus 1% per annum and was scheduled to mature on November 1, 2015. The debenture is secured by a GSA over all the Company's assets which ranks subordinate to the operating line of credit GSA (Note 8) and Company's long-term debt (Note 9). As required by the bank indebtedness forbearance agreement the Company executed a forbearance agreement with the debenture holder which extended the date of maturity to the earlier of: April 30, 2019 and the date that the debenture holder's convertible promissory note (Note 12) matures. On May 31, 2019, the debenture holder agreed to extend the forbearance period to July 31, 2019. Accordingly, the convertible debentures have been presented as current on the Company's consolidated statement of financial position.

10. Convertible debentures *(Continued from previous page)*

The Debenture holder has the option to convert the Debenture at maturity or on a change of control of the Company, into common shares at a price equal to 80% of the fair market value of the common shares. The Debenture will automatically convert in full, into the same class of securities as issued upon completion of a single equity issuance of not less than $1,000,000 (a "Significant Financing").

The convertible debentures are being accounted for in accordance with their substance and are presented in the consolidated financial statements in their component parts, measured at their respective fair values at the time of issue. At date of issuance, the Company separated the embedded derivatives from the debenture host contracts, with the total proceeds first allocated to the fair value of the derivative financial instruments determined using the Black Scholes model, with the remaining proceeds allocated to the debt host contract. The proceeds from issue at the date of issuance were $499,990 and the fair value of the derivative financial liability related to the beneficial conversion feature on initial recognition was $338,183.

On February 8, 2013, the holder of the convertible debentures agreed to extend the maturity date of the Debentures to February 8, 2018. Management determined that the extension of the Debentures was in substance an extinguishment and refinancing of debt in accordance with IFRS 9 - Financial Instruments. To account for the extinguishment of the debt, the difference between the carrying amount of the original debentures and the consideration paid was recognized as a loss of $76,907 in the December 31, 2013 consolidated statement of loss and comprehensive loss. The debt issuance costs of $149,990 were written off at the time of extinguishment.

The holders of the convertible debentures agreed to further extend the maturity date of the Debentures on three further occasions, February 7, 2018, October 22, 2018 and May 31, 2019, extending the maturity date to July 31, 2018, April 30, 2019, and to July 31, 2019, respectively. Management again determined that the extensions of the Debentures resulted in substance in an extinguishment and refinancing of debt in accordance with IFRS 9 - Financial Instruments. In accounting for the extinguishment of the debt, the difference between the carrying amount of the debentures and the consideration paid were recognized as gains of $145,890 and $141,509, respectively in the December 31, 2018 consolidated statement of loss and comprehensive loss.

The estimated fair value of the derivative at December 31, 2018 was $142,816 (December 31, 2017 - $130,261, January 1, 2017- $171,817).

Derivative liability, January 1, 2017	171,817
Gain on revaluation to fair value	(41,556)
Derivative liability at December 31, 2017	130,261
Loss on revaluation to fair value	12,555
Derivative liability at December 31, 2018	142,816

During the year, the Company recorded accretion of $215,587 (2017 - $129,149). The Company incurred interest of $26,681 (2017 - $22,763) related to the convertible debentures, which are included in interest expense on the consolidated statement of loss and comprehensive loss.

The convertible debentures remained outstanding as at December 31, 2018. The Company used an option pricing model to estimate the fair value of of the derivatives at December 31, 2018 using the inputs shown below:

	2018	*2017*
Estimated price pers hare	$ 1.28	$ 1.28
Exercise price	$ 1.02	$ 1.02
Expected volatility	44.83%	54.62%
Expected option life	120 days	39 days
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	2.07%	1.43%

No active market exists for the Company's common shares. For this reason, the Company considers the historical volatility of similar entities for which share price information is publicly-available when estimating the expected volatility. The listed entities used in the analysis operate within the same industry space, focusing on the delivery of similar products and services in the same industry.

11. Promissory notes - shareholders

Shareholder Promissory note #1 is unsecured, bears annual interest at the Toronto Dominion Bank ("TD Bank") prime rate, has no fixed terms of repayment, and matures on the date that the Class A convertible preferred shares are redeemed or converted in full. The holder of Promissory note #1 has indicated his intention to extend the repayment of the note to after December 31, 2019. Promissory note #2 also bears annual interest at the TD Bank prime rate. Payment of this balance was due in February 2018. As the Company did not have the free cash available to repay this loan upon maturity they have violated the terms of the September 2015 settlement agreement reached with the holder of Promissory note #2. The Company has been in communication with the holder of Promissory note #2 and plan to repay this debt once the terms with the higher-ranking creditors (see below) have been renegotiated and it has sufficient cash flows and cash to do so under the terms of its related debt agreements.

During the year ended December 31, 2018, the Company recognized interest expense of $10,522 (2017 - $,10,940) on the consolidated statement of loss and comprehensive loss.

	2018	*2017*	*January 1 2017*
Promissory note #1	**341,665**	330,772	321,355
Promissory note #2	**36,770**	69,722	91,465
	378,435	400,494	412,820
Less: current portion	**36,770**	69,722	91,465
	341,665	330,772	321,355

The promissory notes rank subordinate to the Company's bank indebtedness (Note 8), long-term debt (Note 9) and convertible debentures (Note 10).

12. Convertible promissory notes

In October 2018, certain of the Company's shareholders each agreed to purchase a convertible promissory note from the Company, providing the Company with $370,000 to finance working capital needs and as required by the Indebtedness Creditor as part of the Conditions Precedent (Note 8). Each promissory note is unsecured and bears interest at 10% per annum.

Each promissory note holder has the option to convert its note upon maturity, being the earlier of six months from the date of purchase or on the date of a change of control of the Company, into non-convertible, non-participating preferred shares with a priority liquidation preference equal to three times the conversion price of $1.283 per share.

The convertible promissory notes are being accounted for in accordance with their substance and are presented in the financial statements in their component parts, measured at their respective fair values at the date of issuance. At the dates of issuance, the Company separated the embedded derivatives from the debenture host contracts, with the total proceeds first allocated to the fair value of the derivative financial instruments, with the remaining proceeds allocated to the debt host contract. The proceeds from issuance were $370,000 and the fair value of the derivative financial liability on initial recognition was $369,999.

During the year, the Company recorded accretion of $47 (2017 - $nil) and incurred interest of $6,192 (2017 - $nil) related to the convertible debentures, which are included in accretion expense and interest expense, respectively, on the consolidated statement of loss and comprehensive loss. The accrued interest is recorded in accounts payable and accrued liabilities on the consolidated statement of financial position.

The estimated fair value of the derivative instrument related to the three times principal liquidation feature as at December 31, 2018 was $702,000 (December 31, 2017 - $nil, January 1, 2017- $nil). The fair value was determined based on an estimated 90% probability of a liquidity event occurring multiplied by the estimated payout upon a liquidity event net of the estimated principal and interest outstanding at the time of such liquidity event.

13. Commitments

The Company has entered into various lease agreements with estimated minimum annual payments as follows:

2018	$	389,545
2019		389,545
2020		227,235
	$	1,006,325

14. Share-based payments

The Company has a stock option plan. These options are granted to employees, vest over a maximum of four years, and expire after a maximum of ten years. One option is exchangeable for one common share of the Company.

	Number of Options	**Weighted Avg Exercise Price ($)**
Options outstanding, January 1, 2017	389,092	1.28
Options issued	172,182	1.28
Options cancelled	(287,991)	1.28
Options outstanding, December 31, 2017	273,283	1.28
Options issued	192,255	1.28
Options cancelled	(105,432)	1.28
Options outstanding, December 31, 2018	360,106	1.28

The fair value of options granted during the year ended December 31, 2018 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	2018	*2017*
Weighted average fair value per common share	**1.28**	1.28
Weighted average exercise price	**1.28**	1.28
Expected volatility	**44.83%**	40.93%
Expected option life (years)	**4**	4
Expected dividend yield	**0.00%**	0.00%
Risk-free interest rate	**1.68%**	1.30%

No active market exists for the Company's common shares. For this reason, the Company considers the historical volatility of similar entities for which share price information is publicly available when estimating the expected volatility. The listed entities used in the analysis operate within the same industry space, focusing on the delivery of similar products and services in the same industry.

The risk-free rate assumed in valuing the options is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the option. The expected dividend yield percentage at the date of grant is Nil as the Company is not expected to pay dividends in the foreseeable future. The Company has estimated its future stock option forfeitures to be nil for the year ended December 31, 2018 (2017 - nil, January 1, 2017 - nil).

The weighted average exercise price of the outstanding options was $1.28. The average remaining contractual life of outstanding options is 2.0 to 9.1 years. At December 31, 2018, 131,961 (2017 - 110,708 , January 1, 2017 - 87,402) options were vested and exercisable. During the year ended December 31, 2018, share-based compensation expense of $38,938 (2018 – $18,269) was recognized on the consolidated statement of loss and comprehensive loss.

15. Share capital

On June 11, 2014, the Company amended its articles of incorporation such that the authorized capital of the Company now consists of:

- An unlimited number of common shares
- An unlimited number of class A preferred shares

Common Shares

	2018	*2017*	*January 1, 2017*
2,105,263 Common shares (2017 - 2,105,263, January 1, 2017 - 2,105,263)	**150,100**	150,100	150,100

Each holder of common shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company, except meetings at which only holders of class A convertible preferred shares are entitled to vote, and each holder of common shares shall be entitled to one vote in respect of each common share held by such holder.

The holders of common shares are not entitled to vote separately as a class upon any proposal to amend the articles of the Company to: (i) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class; or (ii) create a new class or series of shares equal or superior to the shares of such class.

Subject to the rights of the holders of the class A convertible preferred shares, the holders of common shares shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the board out of monies properly applicable to the payment of dividends, in such amount and in such form as the board may from time to time determine. All dividends which the board may declare on the common shares shall be declared and paid in equal amounts per share on all common shares at the time outstanding.

If a liquidation event or deemed liquidation event occurs, subject to the rights and privileges attaching to the class A convertible preferred shares, the assets and property of the Company available for distribution to shareholders shall be distributed among the holders of the common shares on a pro rata basis in accordance with the number of common shares held by each holder.

Class A Convertible Preferred Shares

	2018	*2017*	*January 1, 2017*
701,754 Class A convertible preferred shares - Series 1 (2017 - 701,754, January 1, 2017 - 701,754)	**1,000,000**	1,000,000	1,000,000
779,971 Class A convertible preferred shares - Series 2 (2017 - 779,971, January 1, 2017 - 779,971)	**999,922**	999,922	999,922
	1,999,922	1,999,922	1,999,922
Less : Share issuance costs	96,122	96,122	96,122
	1,903,800	1,903,800	1,903,800

The class A convertible preferred shares of each series including, without limitation, the series 1 preferred shares and the series 2 preferred shares, shall rank pari passu with the class A convertible preferred shares of every other series with respect to dividends and return of capital in the event of a liquidation event or deemed liquidation event.

15. Share capital (*Continued from previous page*)

On all matters submitted to a vote of holders of common shares, a holder of class A convertible preferred shares of each series including, without limitation, the series 1 preferred shares and the series 2 preferred shares, shall be entitled to the number of votes equal to the number of common shares into which the class A convertible preferred shares of such series are then convertible, and in all ways shall have voting rights and powers equal to the voting rights and powers of the common shares, including the right to receive notice of and to attend and vote at all meetings of shareholders of the Company.

The holders of class A convertible preferred shares are not entitled to vote separately as a class (or separately as any series thereof, as applicable) upon any proposal to amend the articles of the company to: (i) increase or decrease any maximum number of authorized shares of such class or series, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class or series; or (ii) create a new class or series of shares equal or superior to the shares of such class or series.

The holders of class A convertible preferred shares of each series including, without limitation, the series 1 preferred shares and the series 2 preferred shares, shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the board out of monies properly applicable to the payment of dividends, in such amount and in such form as the board may from time to time determine. All dividends which the board may declare on the class A convertible preferred shares of a series shall be declared and paid in equal amounts per share on all class A convertible preferred Shares of such series at the time outstanding.

These shares are convertible into common shares at the rate of one common share for each preferred share and are redeemable at the option of the holder for $1.45 per share for the series 1 preferred shares and $1.28 for the series 2 preferred shares. The preferred shares have a conversion feature that includes a price-based antidilution adjustment post-conversion. The price-based antidilution adjustment ensures preferred shareholders are made whole in the event of a down financing round at the expense of common shareholders; therefore, the conversion feature was assessed to be a derivative liability, and measured at fair value. The residual amount, being the difference between the subscription amount and the fair value of the derivative liability at the date on which the preferred shares were issued have been classified as a financial liability presented as preferred shares. The derivative liability was determined to have a fair value of $nil as at December 31, 2018 (2017 - $nil, January 1, 2017 - $nil) and was based upon an estimated fair value per common share cost conversion of $1.28.

16. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the Company's cash, accounts receivable, investment tax credits receivable and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature. The carrying value of the promissory notes - shareholders liability is also deemed to be representative of fair value as they have been financed at interest rates which are similar to current market interest rates.

Risk management policy

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

16. Financial instruments *(Continued from previous page)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Company is exposed to interest rate risk through the impact of changes in market interest rates on the fair values of its instruments.

The Company is exposed to price risk with respect to the Company's bank indebtedness (Note 8) which bears interest at a fixed rate of 5.45% (2017 - 5.45%, January 1, 2017 - nil) per annum , the convertible promissory notes which bears interest at fixed rate of 10% (2017 - nil, January 1, 2017 - nil), the Espresso Revolving Credit Facility (Note 9) with a fixed rate of 15.25% per annum (2017 - 15.25%, January 1, 2017 - nil) and the SOFII loan (Note 9) with a fixed rate of 11% per annum (2017 - 11%, January 1, 2017 - nil).

The Company is exposed to cash flow risk with respect to the Company's convertible debentures (Note 10) which bear interest at the Bank of Canada prime rate plus 1% (2017 - Bank of Canada prime rate plus 1%, January 1, 2017 - Bank of Canada prime rate plus 1%) per annum and promissory notes to shareholders (Note 11) which bear interest at the TD Bank prime rate (2017 - TD Bank prime rate, January 1, 2017 - TB Bank prime rate) per annum.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company manages liquidity risk by maintaining adequate cash balances and borrowing facilities, by continuously monitoring forecasted and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The following table gives the Company's financial liabilities and contractual maturities as follows:

	< 1 year	*1-2 years*	*> 3 years*	*Total*
Bank indebtedness	394,000	-	-	**394,000**
Accounts payable and accrued liabilities	223,092	-	-	**223,092**
Long-term debt	157,650	60,644	347,768	**566,062**
Convertible debentures	550,080	-	-	**550,080**
Promissory notes - shareholders	36,770	341,665	-	**378,435**
Convertible promissory notes	370,000	-	-	**370,000**

Credit risk and economic dependence

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's principal financial assets that expose it to credit risk are its cash, restricted short-term investments, accounts receivable, the Company mitigates this risk by monitoring the credit worthiness of its customers. Cash and restricted short-term investments are maintained with Canadian financial institutions.

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the company's historical collections and loss experience and incorporates forward-looking factors, where appropriate.

	Current (1 - 30 days)	Aged 31 - 60 days	Aged 61 - 90 days	Aged 91 - 120 days	Aged 120 and over	Total
	$	$	$	$	$	$
Expected loss rate	0.50%	1.00%	1.50%	9.50%	50.00%	
Gross trade receivables	237,970	1,915	15,462	3,656	26,304	285,307
Expected loss provision	1,190	19	232	347	13,152	14,940

16. Financial instruments *(Continued from previous page)*

A credit concentration exists relating to accounts receivable. As at December 31, 2018, two customers (2017 - three; January 1, 2017 - three customers) accounted for approximately 57% (2017 - 69%, January 1, 2017 - 69%) of accounts receivable and three customers (2017 - three) accounted for 53% of revenues from operations (2017 - 62%). The loss of any of these customers could have a significant adverse impact on the Company's financial results if replacement customers are not found in a timely manner.

As at December 31, 2018, the Company has recorded a provision for expected credit losses of $14,940 (2017 - $74,912, January 1, 2017 - $12,833).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.The Company undertakes transactions denominated in United States dollars for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. Management regularly reviews the foreign exchange rates in relation to the Canadian dollar and the Company's foreign currency position. As at December 31, 2018, the following items are denominated in United States dollars:

	2018	*2017*	*January 1, 2017*
Cash	**17,124**	109,350	(1,431)
Accounts receivable	**285,307**	712,331	362,793
Accounts payable and accrued liabilities	**31,822**	16,644	339,910

A 5% fluctuation of the United States dollar would result in an exchange gain or loss on the net financial assets of approximately $9,918 (2018 - $32,085, January 1, 2017 - $769) as at December 31, 2018.

17. Related party transactions

Key management compensation of the Company

Key management personnel are comprised of the Company's directors and executive officers. In addition to their salaries, key management personnel also receive share-based compensation. Key management personnel compensation is as follows:

	2018	*2017*	*January 1 2017*
Salaries and benefits, including bonuses	**344,583**	360,000	360,000
Share-based compensation	**5,751**	17,603	21,039
	350,334	377,603	381,039

18. Capital management

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions, so that it can provide above average returns for its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' deficit, which consists of issued capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of general economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long term debt, issue shares, repurchase shares through a normal course issuer bid and pay dividends. The Board of Directors reviews and approves any material transactions not in the ordinary course of business that may include various acquisition proposals, as well as capital and operating budgets. No changes were made in the objectives, policies or processes of capital management during the years ended December 31, 2018 and 2017. As disclosed in Notes 8 and 9, the Company is subject to covenants on its bank indebtedness and long-term debt.

19. Income tax

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2018	*2017*
Loss before recovery of income taxes	**$ (1,600,707)**	$ (1,943,083)
Expected tax rate	**26.50%**	26.50%
Expected tax recovery	**(424,190)**	(514,918)
Share based compensation and non-deductible expenses	**84,720**	30,649
Change in tax benefits not recognized	**339,470**	484,269
Current tax expense	**$ -**	$ -

Deferred taxes assets and liabilities originate as a result of temporary differences that arise between the income tax values and the carrying amounts of assets and liabilities for consolidated financial statement purposes.

The recoverability of deferred income tax assets is dependent on the Company generating sufficient taxable profits before any expiry or limitation periods. No deferred tax assets have been recognized by the Company as it has been determined that it is not probable that future taxable profits will be available against which the Company m ay realize benefits from its available deductible temporary differences . Deferred tax assets have not been recognized in respect of the following net deductible temporary differences:

	2018	*2017*
Property and equipment	**$ 21,630**	$ 21,054
Schedule 13 reserves	**58,110**	62,078
Non-capital losses carried forward	**4,380,650**	3,139,397
SR & ED Pool from T661	**600,760**	512,778
Other temporary differences	**125,460**	170,294
	5,186,610	3,905,601

The Company has the following non-capital losses carry-forwards that are expected to expire in the following years, if not utilized:

Year of expiration	***Amount ($)***
2033	240,960
2034	738,030
2035	629,320
2036	1,531,090
2037	1,241,250
	4,380,650

20. Revenue

Revenue is disaggregated primarily by performance obligation. Contract liabilities include deferred revenue which represents cash received in advance of the service being provided.

	2018	*2017*
Revenue by Performance Obligation		
Design and Implementation Revenue	**1,370,021**	**2,103,802**
License, Maintenance and Support Services Revenue	**1,793,189**	**1,604,758**
	3,163,210	**3,708,560**
Contract Liabilities		
Deferred Design and Implementation Revenue	**268,779**	**501,737**
Deferred License, Maintenance and Support Services Revenue	**1,183,108**	**936,927**
	1,451,887	**1,438,664**

21. Subsequent event

Subsequent to the year ended December 31, 2018, the shareholders of the Company agreed to sell 100% of the outstanding shares to Inpixon (the "Acquirer"), a United States publicly traded company, in exchange for consideration of $5,000,000 cash and $3,000,000 in shares of the Acquirer.

Exhibit 99.2

Jibestream Inc.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2019 and 2018

(Presented in Canadian dollars)

Condensed Interim Consolidated Review Engagement Report

To the Shareholders of Jibestream Inc.:

In accordance with our engagement letter dated June 10, 2019, we have performed an interim review of the condensed interim consolidated statement of financial position of Jibestream Inc. as at March 31, 2019, and the condensed interim consolidated statements of loss and comprehensive loss, changes in deficit and cash flows for the three-month period then ended, and notes to the condensed interim consolidated financial statements ('the condensed interim consolidated financial statements'). These consolidated financial statements are the responsibility of Jibestream Inc.'s management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim consolidated financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the condensed consolidated financial statements. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Material Uncertainty Related to the Going Concern Assumption

Without qualifying our opinion, we draw attention to Note 2 of the notes to the consolidated condensed interim financial statements which indicates that the Company incurred net losses of $362,650 and $260,021 for the periods ended March 31, 2019 and March 31, 2018, respectively. As at March 31, 2019, the Company has a working capital deficiency of $3,926,601. These conditions, along with other matters set forth in Note 2, indicate the existence of material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern.

Based on our interim review, we are not aware of any material modification that needs to be made for these interim condensed consolidated financial statements to be in accordance with International Financial Reporting Standards.

Toronto, Ontario
July 15, 2019

Chartered Professional Accountants
Licensed Public Accountants

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

Jibestream Inc.

Condensed Interim Consolidated Statement of Financial Position
As at March 31, 2019 and December 31, 2018
(Unaudited)
(Presented in Canadian dollars)

	Note	March 31, 2019	December 31, 2018
Assets			
Current			
Cash		**-**	18,058
Restricted short-term investments	*7*	**330,000**	205,000
Accounts receivable	*4*	**589,949**	285,728
Investment tax credits receivable	*5*	**85,803**	45,000
Prepaid expenses and deposits		**63,333**	80,104
		1,069,085	633,890
Non-current			
Property and equipment	*6*	**18,333**	22,132
Right of use asset	*16*	**731,979**	-
		1,819,397	656,022
Liabilities			
Current			
Bank indebtedness	*7*	**702,467**	394,000
Accounts payable and accrued liabilities	*9*	**296,936**	272,680
Deferred lease inducement		**92,461**	102,367
Deferred revenue		**1,833,744**	1,451,887
Convertible promissory notes	*11*	**1,240**	47
Current portion of long-term debt	*8*	**236,177**	221,621
Convertible debentures	*9*	**598,199**	550,080
Current portion of promissory notes - shareholders	*10*	**36,770**	36,770
Current portion of lease obligation	*16*	**329,199**	-
Derivative liability - convertible debentures	*9*	**127,493**	142,816
Derivative liability - convertible promissory notes	*11*	**741,000**	702,000
		4,995,686	3,874,268
Non-current			
Long-term debt	*8*	**329,897**	344,441
Lease obligation	*16*	**408,288**	-
Promissory notes - shareholders	*10*	**345,028**	341,665
Preferred shares	*13*	**1,903,800**	1,903,800
		7,982,699	6,464,174
Commitments			
Subsequent events			
Shareholders' Deficit			
Share capital	*13*	**150,100**	150,100
Deficit		**(6,494,361)**	(6,131,711)
Contributed Surplus	*12*	**180,959**	173,459
		(6,163,302)	(5,808,152)
		1,819,397	656,022

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

Jibestream Inc.
Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
For the three months ended March 31, 2019 and 2018
(Unaudited)
(Presented in Canadian dollars)

		Three Months Ended March 31,	
	Note	**2019**	2018
Revenues	*18*	**642,889**	979,864
Operating expenses			
Salaries, wages and benefits	*5*	**636,088**	933,377
Office and general		**78,585**	98,600
Amortization		**77,594**	8,155
Travel and entertainment		**46,830**	28,254
Interest	*7,8,9,10,11*	**44,838**	30,542
Professional fees		**25,937**	28,187
Advertising and promotion		**13,879**	37,048
Bank charges		**1,682**	5,973
Occupancy		**-**	107,517
Foreign exchange loss (gain)		**(5,309)**	35,014
Bad debts		**(7,719)**	(139)
		912,405	1,312,528
Other expenses (income)			
Accretion expense	*9,11,16*	**61,957**	58,409
Loss (gain) on derivative liability - convertible debenture	*9*	**(15,323)**	11,838
Gain on extinguishment of convertible debentures	*9*	-	(145,890)
Loss on derivative liability - convertible promissory notes	*11*	**39,000**	-
Share-based compensation	*12*	**7,500**	3,000
		93,134	(72,643)
Loss before income taxes		**(362,650)**	(260,021)
Net loss and comprehensive loss		**(362,650)**	(260,021)

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

Jibestream Inc.

Condensed Interim Consolidated Statement of Changes in Deficit
For the three months ended March 31, 2019 and 2018
(Unaudited)
(Presented in Canadian dollars)

	Note	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Deficit
Balance as at December 31, 2018		**150,100**	**173,459**	**(6,131,711)**	**(5,808,152)**
Net loss and comprehensive loss excluding IFRS 16		**-**	**-**	**(357,142)**	**(357,142)**
Recognition of share-based compensation	***12***	**-**	**7,500**	**-**	**7,500**
IFRS 16 adjustments	***16***	**-**	**-**	**(5,508)**	**(5,508)**
Ending balance, March 31, 2019		**150,100**	**180,959**	**(6,494,361)**	**(6,163,302)**
Balance as at December 31, 2017		**150,100**	**134,521**	**(4,531,004)**	**(4,246,383)**
Net loss and comprehensive loss		**-**	**-**	**(260,021)**	**(260,021)**
Recognition of share-based compensation	***12***	**-**	**3,000**	**-**	**3,000**
Ending balance, March 31, 2018		**150,100**	**137,521**	**(4,791,025)**	**(4,503,404)**

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

Jibestream Inc.

Condensed Interim Consolidated Statement of Cash Flows
For the three months ended March 31, 2019 and 2018
(Unaudited)
(Presented in Canadian dollars)

	For the 3 months ended	
	March 31, 2019	**March 31, 2018**
Cash provided by (used for) the following activities:		
Operating Activities	**(362,650)**	(260,021)
Net loss and comprehensive loss		
Adjustments for non-cash items and others		
Share-based compensation	**7,500**	3,000
Amortization of property and equipment	**77,594**	8,155
Accrued interest on promissory notes - shareholders	**3,363**	-
Loss (gain) on derivative liability - convertible debentures	**(15,323)**	11,838
Accretion expense	**61,957**	58,409
Accrued interest on long-term debt	**9,348**	-
Accrued interest on convertible debentures	**7,921**	-
Gain on extinguishment of convertible debentures	**-**	(145,890)
Loss on derivative liability - convertible promissory notes	**39,000**	-
	(171,290)	(318,137)
Adjustments for net changes in non-cash operating assets and liabilities		
Accounts receivable	**(304,221)**	(31,084)
Prepaid expenses and deposits	**16,771**	10,837
Accounts payable and accrued liabilities	**24,256**	82,433
Unbilled revenue	**-**	225,958
Deferred revenue	**381,857**	(494,819)
Investment tax credits receivable	**(40,803)**	(68,168)
Deferred lease inducement	**(9,906)**	(9,907)
Net cash used in operating activities	**(103,336)**	(602,887)
Cash flows from financing activities		
Bank indebtedness	**308,467**	65,000
Purchase of short-term investments	**(125,000)**	-
Net (repayments) proceeds from long-term debt	**(9,336)**	391,027
Net cash used in financing activities	**85,278**	444,363
Cash flows from investing activities		
Purchases of property and equipment	**-**	-
Net cash from investing activities	**-**	-
Net change in cash during the period	**(18,058)**	(158,524)
Cash and cash equivalents at beginning of period	**18,058**	215,166
Cash, end of period	**-**	56,642
NON-CASH TRANSACTIONS (Note 17)		
Right of use asset obtained via finance lease	**805,774**	-
Right of use obligation obtained via finance lease	**(805,774)**	-

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

1. Nature of operations

Jibestream Inc. (the "Company") was incorporated under the laws of Canada on August 24, 2009. The Company's principal business activities are the development, sales, marketing and support of software solutions for mapping, proximity, data and business rules in the retail, healthcare, corporate campus and government sectors. The Company's solutions are sold through an established group of strategic partners, value added resellers and a direct sales team. The Company's solutions are powered by its proprietary technology. While the Company's products are available internationally through resellers in Europe, Asia Pacific and Latin American regions, the majority of its sales are generated in North America. The Company's head office and principal address is Suite 101, 455 Dovercourt Road, Toronto, Ontario, Canada, M6H 2W3.

2. Basis of Presentation

Statement of compliance

These condensed interim financial statements were prepared following the same accounting policies and methods of computation as the audited annual financial statements for the year ended December 31, 2018. They were prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) has been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the audited annual financial statements.

The condensed interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2018.

The financial statements were approved for issuance by the Company's Board of Directors on July 15, 2019.

Basis of measurement and going concern

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the significant accounting policies.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The Company incurred net losses of $362,650 and $260,021 for the periods ended March 31, 2019 and March 31, 2018, respectively. As at March 31, 2019, the Company has a working capital deficiency of $3,926,601. Furthermore, the Company is in negotiations with several of it's creditors to renegotiate agreements as the Company has breached related covenants which provides its creditors with the right to demand repayment of the related debt (see Notes 7, 8, 9 and 10 for further details). These conditions raise significant doubt and cast material uncertainty as to the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to successfully renegotiate the terms of its existing debt, obtain sufficient financing going forward and to generate sufficient cash flows from operations and otherwise to meet its obligations as they come due. It cannot be determined at this time whether these objectives will be realized.

2. Basis of Presentation *(continued from previous page)*

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

3. Significant accounting policies

Newly adopted accounting standard

The Company has adopted IFRS 16 with an initial adoption date of January 1, 2019. The Company used the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 17 and related interpretations.

IFRS 16 specifies how leases will be recognized, measured, presented and disclosed and it provides a single lessee model, requiring lessees to recognize right-of-use assets and lease liabilities for all major leases. The impact of the transition to IFRS 16 is shown in Note 16. The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's borrowing rate. The Company used its borrowing rate as the discount rate.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

(Presented in Canadian dollars)

4. Accounts receivable

The Company had the following receivables at the end of each reporting year:

	March 31, 2019	December 31, 2018
Trade receivables	**$ 576,549**	$ 285,307
Harmonized sales taxes receivable	**18,048**	15,362
	594,597	300,669
Less: Expected credit losses (*Note 15*)	**(4,648)**	(14,941)
Total	**$ 589,949**	$ 285,728

5. Investment tax credits receivable

The Company undertakes certain scientific research and experimental development ("SR&ED") activities. Under a government program, a portion of these expenditures are recoverable by the Company. The Company has recorded the recovery of these expenditures for the year in the amount of $40,803 (2018 - $85,000) as a reduction in salaries, wages and benefits on the statement of loss and comprehensive loss.

6. Property and equipment

	Computer equipment	***Furniture and fixtures***	***Leasehold improvements***	***Total***
	$	$	$	$
Cost				
Balance, December 31, 2018	115,738	33,209	10,400	159,347
Additions	-	-	-	-
Balance, March 31, 2019	**115,738**	**33,209**	**10,400**	**159,347**
Accumulated depreciation				
Balance, December 31, 2018	109,325	22,526	5,364	137,215
Additions	1,650	1,661	488	3,799
Balance, March 31, 2019	**110,975**	**24,187**	**5,852**	**141,014**
Net book value				
Balance, December 31, 2018	6,413	10,683	5,036	22,132
Balance, March 31, 2019	**4,763**	**9,022**	**4,548**	**18,333**

7. Bank indebtedness

The Company has available an operating line of credit of up to a maximum of $655,000 (December 31, 2018 - $655,000) which bears interest at Royal Bank prime rate + 2.25% per annum. The line of credit is secured by a first-ranking general security agreement ("GSA") covering all the assets of the Company and is payable on demand. As at March 31, 2019, the Company had drawn $655,000 (December 31, 2018 - $394,000) on its line of credit, and had overdrawn on their bank accounts by $47,467. On August 2, 2018, the creditor of the bank indebtedness (the "Indebtedness Creditor") demanded repayment of this facility. During the period ended March 31, 2019, the Company recognized interest expense of $8,750 (2018 - $5,245) in relation to bank indebtedness.

On October 25, 2018, the Company met the Conditions Precedent (outlined below) and executed a forbearance agreement with the Indebtedness Creditor whereby the Company acknowledged the outstanding line of credit balance of $652,076, the outstanding credit card facility with the same creditor of $19,757 and fees to date in relation to the demand for repayment of $26,815, were owed to the Indebtedness Creditor by the Company as of the date of the forbearance agreement and the Indebtedness Creditor agreed not to demand repayment of the facility until the earlier of April 30, 2019 and an event of default by the Company as described in the forbearance agreement. On May 31, 2019, the Indebtedness Creditor agreed to extend the forbearance period to July 31, 2019. The forbearance agreement was subject to the following conditions (the "Conditions Precedent"):

a) A cash injection from the Company's investors of $370,000 (see Note 11), of which $100,000 would be paid immediately to the Indebtedness Creditor as cash collateral;
b) Execution of similar forbearance agreements (in form satisfactory to the Indebtedness Creditor) with the Company's long-term debt creditors (Note 8) and the holder of the Company's convertible debenture (Note 9);
c) A fully executed collateral agreement with the Indebtedness Creditor; and
d) An executed consent form from the Company to the immediate private or court appointment of an interim receiver. This consent is to be held in escrow by the Indebtedness Creditor's legal counsel to be used in the event of the termination of the Forbearance period if the Company violates any of the terms of the forbearance agreement.
Under the collateral agreement (point c) above), the Company is required to provide the Indebtedness Creditor with additional collateral as follows:

a) $30,000 on or before November 30, 2018;

b) $75,000 on or before December 31, 2018;

c) $75,000 on or before January 31, 2019;

d) $50,000 on or before February 31, 2019; and

e) $100,000 on or before March 31, 2019.

As at March 31, 2019, the Indebtedness Creditor held collateral related to the Company's bank indebtedness of $330,000 (December 31, 2018 - $205,000) which has been recorded as restricted short-term investments on the statement of financial position. At the time the final $100,000 payment was due, the Company did not have sufficient cash resources and the Indebtedness Creditor agreed to waive the payment. This collateral is being held in Guaranteed Investment Certificates bearing interest at rates ranging between 1.40% or 1.65% and maturing between October 29, 2019 and December 31, 2019. It is expected that upon the close of the pending sale of the Company (Note 19) that the Indebtedness Creditor will be repaid in full out of the sale proceeds and the collateral will be released.

(Presented in Canadian dollars)

7. Bank indebtedness *(continued from previous page)*

Under the terms of the forbearance agreement the Company is subject to a number of financial reporting and operational obligations. Failure to meet any of these obligations constitutes and event of default and effectively voids the forbearance agreement. The Company is required to cover specific costs of the Indebtedness Creditor under the terms of the forbearance agreement. As of March 31, 2019, the Company was in compliance with the financial reporting and operational obligations of the forbearance agreement.

8. Long-term debt

	March 31, 2019	December 31, 2018
Espresso Capital Revolving Credit Facility	$ **134,289**	$ **134,277**
Eastern Ontario community Futures Development Corporations Network Inc. Term Loan	**431,785**	**431,785**
	566,074	**566,062**
Less:		
Current portion	**236,177**	**221,621**
	$ **329,897**	$ **344,441**

The future principal payments required under the terms of the Company's long-term debt agreements are as follows:

2020	$ 236,177
2021	62,327
2022	69,539
2023	77,586
2024	86,565
Thereafter	33,880
Total	$ **566,074**

8. Long-term debt *(continued from previous page)*

Espresso Revolving Credit Facility

This credit facility is an interest-only loan bearing interest at 15.25% per annum and was scheduled to mature on December 1, 2018. The loan is secured by a first ranking claim on the Company's investment tax credits receivable. Upon the Company receiving its refund, Espresso has the option to demand repayment of this loan out of the refund proceeds.

The credit facility is subject to certain financial covenants which require the Company to maintain at least $75,000 of cash on hand. As at July 31, 2018, the Company was in violation of this covenant and Espresso had the right to demand repayment of this loan. On October 24, 2018, the Company executed a forbearance agreement with Espresso whereby Espresso agreed not to demand repayment or enforce its rights and remedies until the later of April 30, 2019 and the end of the bank indebtedness forbearance period (Note 7). On May 31, 2019, Espresso agreed to extend the forbearance period to July 31, 2019. Under the terms of the forbearance agreement interest from July 31, 2018 to the date at which the indebtedness is paid in full, shall accrue at the Default Interest Rate of 20.25% as defined in the related loan agreement. The Company was also required to pay Espresso the proceeds from the collection of its investment tax credit receivable (Note 5), within one business day of its receipt. On November 19, 2018 the Company received its July 31, 2018 investment tax credit claim of approximately $272,000 and repaid this amount to Espresso.

During the period ended March 31, 2019, the Company recognized interest expense of $5,070 (2018 - $4,341) in relation to this credit facility.

*Eastern Ontario Community Futures Development Corporations Network Inc. Term Loan ("SOFII loan")*The SOFII loan bears interest at 11% per annum, is repayable in monthly blended principal and interest instalments of $8,561, and matures in July 2024. The loan is secured by a GSA over all the assets of the Company which ranks subordinate to the operating line of credit GSA (Note 7) and the Espresso Revolving Credit Facility's claim on the investment tax credits receivable.

The SOFII loan is subject to certain financial and non-financial covenants. As at March 31, 2019, the Company was in compliance with these covenants. On October 22, 2018, as required under the terms of its bank indebtedness forbearance agreement (Note 7), the Company executed a forbearance agreement with SOFII whereby SOFII agreed to interest only payments until April 30, 2019, at which time the Company has agreed and committed to repay the deferred principal payments as required per the terms of the related loan agreement for the period from June 30, 2018-April 30, 2019. Under the terms of the SOFII forbearance agreement, the Company's CEO agreed to a reduction of his salary by fifty percent during the forbearance period. On May 31, 2019, SOFII agreed to extend the aforementioned forbearance period to July 31, 2019.

During the period ended March 31, 2019, the Company recognized interest expense of $10,251 (2018 - $12,369) in relation to this loan.

(Presented in Canadian dollars)

9. Convertible debentures

		March 31, 2019		December 31, 2018
$358,216 (December 31, 2018 - $358,216), convertible debentures, including accumulated interest and accretion of $239,983 (December 31, 2018 - $191,864)	$	**598,199**	$	**550,080**

On November 1, 2012, the Company received $500,000 in exchange for issuing a convertible debenture with a principal balance of $499,990 (the "Debenture") and 105,263 common shares. The common shares had an estimated fair value at the date of issuance of $150,000 based on an estimated share price of $1.45 per share which was recognized as debt issuance costs with a corresponding increase to share capital. The Debenture bears interest at the Bank of Canada prime rate plus 1% per annum and was scheduled to mature on November 1, 2012. The debenture is secured by a GSA over all the Company's assets which ranks subordinate to the operating line of credit GSA (Note 7) and Company's long-term debt (Note 8). As required by the bank indebtedness forbearance agreement the Company executed a forbearance agreement with the debenture holder which extended the date of maturity to the earlier of: April 30, 2019 and the date that the debenture holder's convertible promissory note (Note 11) matures. On May 31, 2019, the Debenture Holder agreed to extend the forbearance period to July 31, 2019. Accordingly, the convertible debentures have been presented as current on the Company's consolidated statement of financial position.

The Debenture holder has the option to convert the Debenture at maturity or on a change of control of the Company, into common shares at a price equal to 80% of the fair market value of the common shares. The Debenture will automatically convert in full, into the same class of securities as issued upon completion of a single equity issuance of not less than $1,000,000 (a "Significant Financing").

The convertible debentures are being accounted for in accordance with their substance and are presented in the financial statements in their component parts, measured at their respective fair values at the time of issue. At date of issuance, the Company separated the embedded derivatives from the debenture host contracts, with the total proceeds first allocated to the fair value of the derivative financial instruments determined using the Black Scholes model, with the remaining proceeds allocated to the debt host contract. The proceeds from issue at the date of issuance were $499,990 and the fair value of the derivative financial liability related to the beneficial conversion feature on initial recognition was $338,183.

On February 8, 2013, the holder of the convertible debentures agreed to extend the maturity date of the Debentures to February 8, 2018. Management determined that the extension of the Debentures was in substance an extinguishment and refinancing of debt in accordance with IFRS 9 - Financial Instruments. To account for the extinguishment of the debt, the difference between the carrying amount of the original debentures and the consideration paid was recognized as a loss of $76,907 in the December 31, 2013 statement of loss and comprehensive loss. The debt issuance costs of $149,990 were written off at the time of extinguishment.

(Presented in Canadian dollars)

9. Convertible debentures *(continued from previous page)*

The holders of the convertible debentures agreed to further extend the maturity date of the Debentures on three further occasions, February 7, 2018, October 22, 2018 and May 31, 2019, extending the maturity date to July 31, 2018, April 30, 2019 and July 31, 2019 respectively. Management again determined that the extensions of the Debentures resulted in substance in an extinguishment and refinancing of debt in accordance with IFRS 9 - Financial Instruments. In accounting for the extinguishment of the debt, the difference between the carrying amount of the debentures and the consideration paid were recognized as gains of $145,890 and $141,509, respectively in the December 31, 2018 statement of loss and comprehensive loss.

The estimated fair value of the derivative at March 31, 2019 was $127,493 (December 31, 2018 - $142,816).

Derivative liability at December 31, 2017	$	130,261
Loss on revaluation to fair value		12,555
Derivative liability at December 31, 2018		142,816
Gain on revaluation to fair value		(15,323)
Derivative liability at March 31, 2019		127,493

During the period, the Company recorded accretion of $40,198 (2018 - $58,409). The Company incurred interest of $7,921 (2018 - $6,372) related to the convertible debentures, which are included in interest and bank charges expense on the statement of loss and comprehensive loss.

The convertible debentures remained outstanding as at March 31, 2019. The Company used an option pricing model to estimate the fair value of the derivatives at March 31, 2019 using the inputs shown below:

		March 31, 2019		December 31, 2018
Estimated price per share	**$**	**1.28**	$	1.28
Exercise price	**$**	**1.02**	$	1.02
Expected volatility		**48.05%**		44.83%
Expected option life		**30 days**		120 days
Expected dividend yield		**0.00%**		0.00%
Risk-free interest rate		**2.07%**		2.07%

No active market exists for the Company’s common shares. For this reason, the Company considers the historical volatility of similar entities for which share price information is publicly-available when estimating the expected volatility. The listed entities used in the analysis operate within the same industry space, focusing on the delivery of similar products and services to small and medium-sized businesses.

(Presented in Canadian dollars)

10. Promissory notes – shareholders

Shareholder Promissory note #1 is unsecured, bears annual interest at the Toronto Dominion Bank ('TD Bank') prime rate, has no fixed terms of repayment, and matures on the date that the Class A convertible preferred shares are redeemed or converted in full. The holder of Promissory note #1 has indicated his intention to extend the repayment of the note to after December 31, 2019. Promissory note #2 also bears annual interest at the TD Bank prime rate. Payment of this balance was due in February 2018. As the Company did not have the free cash available to repay this loan upon maturity they have violated the terms of the September 2015 settlement agreement reached with the holder of Promissory note #2. The Company has been in communication with the holder of Promissory note #2 and plan to repay this debt once the terms with the higher-ranking creditors (see below) have been renegotiated and it has sufficient cash flows and cash to do so under the terms of its related debt agreements. During the period, the Company recorded interest of $3,363 (2018 – $2,215) related to the promissory notes.

	March 31, 2019	**December 31, 2018**
Promissory note #1	**345,028**	341,665
Promissory note #2	**36,770**	36,770
	381,798	378,435
Less:		
Current portion	**(36,770)**	(36,770)
	345,028	341,665

The promissory notes rank subordinate to the Company's bank indebtedness (Note 7), long-term debt (Note 8) and convertible debentures (Note 9).

11. Convertible promissory notes

In October 2018, certain of the Company's shareholders each agreed to purchase a convertible promissory note from the Company, providing the Company $370,000 to finance working capital needs and as required by the Indebtedness Creditor as part of the Conditions Precedent (Note 7). Each promissory note is unsecured and bears interest at 10% per annum.

Each promissory note holder has the option to convert its note upon maturity, being the earlier of six months from the date of purchase or on the date of a change of control of the Company, into non-convertible, non-participating preferred shares with a priority liquation preference equal to three times the conversion price of $1.283 per share.

(Presented in Canadian dollars)

11. Convertible promissory notes (*continued from previous page*)

The convertible promissory notes are being accounted for in accordance with their substance and are presented in the financial statements in their component parts, measured at their respective fair values at the date of issuance. At the dates of issuance, the Company separated the embedded derivatives from the debenture host contracts, with the total proceeds first allocated to the fair value of the derivative financial instruments, with the remaining proceeds allocated to the debt host contract. The proceeds from issuance were $370,000 and the fair value of the derivative financial liability on initial recognition was $370,000.

During the year, the Company recorded accretion of $1,193 December 31, 2018 - $47) and incurred interest of $9,483 (2018 - $nil) related to the convertible promissory notes, which are included in accretion expense and in interest expense, respectively on the statement of loss and comprehensive loss. The accrued interest is recorded in account payable and accrued liabilities on the statement of financial position.

The estimated fair value of the derivative instrument related to the three times principal liquidation feature as at March 31, 2019 was $741,000 (December 31, 2018 - $702,000). The fair value was determined based on an estimated 95% (December 31, 2018 – 90%) probability of a liquidity event multiplied by the estimated payout upon a liquidity event net of the estimated principal and interest outstanding at the time of such liquidity event.

12. Share-based compensation

The Company has a stock option plan. These options are granted to employees, vest over a maximum of four years, and expire after a maximum of ten years. One option is exchangeable for one common share of the Company.

	Number of Options	**Weighted Avg Exercise Price ($)**
Options outstanding, December 31, 2017	273,283	1.28
Options issued	192,255	1.28
Options cancelled	(105,432)	1.28
Options outstanding, December 31, 2018	360,106	1.28
Options issued	15,931	1.28
Options cancelled	(1,025)	1.28
Options outstanding, March 31, 2019	375,012	1.28

(Presented in Canadian dollars)

12. Share-based compensation (*continued from previous page*)

The fair value of options granted during the year ended March 31, 2019 was estimated using the Black-Scholes option pricing model to determine the fair value of options granted using the following assumptions:

	2019	December 31, 2018
Weighted average fair value per common share	**1.28**	1.28
Weighted average exercise price	**1.28**	1.28
Expected volatility	**48.05%**	44.83%
Expected option life (years)	**4**	4
Expected dividend yield	**0.00%**	0.00%
Risk-free interest rate	**2.07%**	1.68%

No active market exists for the Company's common shares. For this reason, the Company considers the historical volatility of similar entities for which share price information is publicly available when estimating the expected volatility. The listed entities used in the analysis operate within the same industry space, focusing on the delivery of similar products and services to small and medium-sized businesses.

The risk-free rate assumed in valuing the options is based on the Canadian treasury yield curve in effect at the time of grant for the expected term of the option. The expected dividend yield percentage at the date of grant is Nil as the Company is not expected to pay dividends in the foreseeable future. The Company has

estimated its future stock option forfeitures to be nil for the year ended March 31, 2019 (December 31, 2018 - nil).

The weighted average exercise price of the outstanding options was $1.28. The average remaining contractual life of outstanding options is 2.0 to 10 years. At March 31, 2019, 134,576 (December 31, 2018 – 131,961) options were vested and exercisable. During the period ended March 31, 2019, stock-based compensation expense of $7,500 (2018 – $3,000) was recognized on the statement of loss and comprehensive loss.

13. Share capital

On June 11, 2014, the Company amended its articles of incorporation such that the authorized capital of the Company now consists of:

- An unlimited number of common shares
- An unlimited number of class A preferred shares

(Presented in Canadian dollars)

13. Share Capital *(continued from previous page)*

Common Shares

	2019	*December 31, 2018*
2,105,263 Common shares (December 31, 2018 - 2,105,263)	**150,100**	**150,100**

Each holder of common shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company, except meetings at which only holders of class A convertible preferred shares are entitled to vote, and each holder of common shares shall be entitled to one vote in respect of each common share held by such holder.

The holders of common shares are not entitled to vote separately as a class upon any proposal to amend the articles of the Company to: (i) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class; or (ii) create a new class or series of shares equal or superior to the shares of such class.

Subject to the rights of the holders of the class A convertible preferred shares, the holders of common shares shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the board out of monies properly applicable to the payment of dividends, in such amount and in such form as the board may from time to time determine. All dividends which the board may declare on the common shares shall be declared and paid in equal amounts per share on all common shares at the time outstanding.

If a liquidation event or deemed liquidation event occurs, subject to the rights and privileges attaching to the class A convertible preferred shares, the assets and property of the Company available for distribution to shareholders shall be distributed among the holders of the common shares on a pro rata basis in accordance with the number of common shares held by each holder.

(Presented in Canadian dollars)

13. Share Capital *(continued from previous page)*

Class A Convertible Preferred Shares

	2019	*December 31, 2018*
701,754 Class A convertible preferred shares - Series 1 (December 31, 2018 - 701,754)	**1,000,000**	1,000,000
779,971 Class A convertible preferred shares - Series 2 (December 31, 2018 - 779,971)	**999,922**	999,922
	1,999,922	1,999,922
Less: Share issuance costs	96,122	96,122
	1,903,800	1,903,800

The class A convertible preferred shares of each series including, without limitation, the series 1 preferred shares and the series 2 preferred shares, shall rank pari passu with the class A convertible preferred shares of every other series with respect to dividends and return of capital in the event of a liquidation event or deemed liquidation event.

On all matters submitted to a vote of holders of common shares, a holder of class A convertible preferred shares of each series including, without limitation, the series 1 preferred shares and the series 2 preferred shares, shall be entitled to the number of votes equal to the number of common shares into which the class A convertible preferred shares of such series are then convertible, and in all ways shall have voting rights and powers equal to the voting rights and powers of the common shares, including the right to receive notice of and to attend and vote at all meetings of shareholders of the Company.

The holders of class A convertible preferred shares are not entitled to vote separately as a class (or separately as any series thereof, as applicable) upon any proposal to amend the articles of the company to: (i) increase or decrease any maximum number of authorized shares of such class or series, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the shares of such class or series; or (ii) create a new class or series of shares equal or superior to the shares of such class or series.

13. Share Capital *(continued from previous page)*

The holders of class A convertible preferred shares of each series including, without limitation, the series 1 preferred shares and the series 2 preferred shares, shall be entitled to receive dividends and the Company shall pay dividends thereon, as and when declared by the board out of monies properly applicable to the payment of dividends, in such amount and in such form as the board may from time to time determine. All dividends which the board may declare on the class A convertible preferred shares of a series shall be declared and paid in equal amounts per share on all class A convertible preferred Shares of such series at the time outstanding.

These shares are convertible into common shares at the rate of one common share for each preferred share and are redeemable at the option of the holder for $1.45 per share for the series 1 preferred shares and $1.28 for the series 2 preferred shares. The preferred shares have a conversion feature that includes a price-based antidilution adjustment post-conversion. The price-based antidilution adjustment ensures preferred shareholders are made whole in the event of a down financing round at the expense of common shareholders; therefore, the conversion feature was assessed to be a derivative liability, and measured at fair value. The residual amount, being the difference between the subscription amount and the fair value of the derivative liability at the date on which the preferred shares were issued have been classified as a financial liability presented as preferred shares. The derivative liability was determined to have a fair value of $nil as at March 31, 2019 (December 31, 2018 - $nil) and was based upon an estimated fair value per common share cost conversion of $1.28.

14. Financial Instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of the Company's cash, accounts receivable, investment tax credits receivable and accounts payable and accrued liabilities are estimated by management to approximate their carrying values due to their short-term nature. The carrying value of the promissory notes - shareholders liability is also deemed to be representative of fair value as they have been financed at interest rates which are similar to current market interest rates.

Risk management policy

In the normal course of its business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

(Presented in Canadian dollars)

14. Financial Instruments *(continued from previous page)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Company is exposed to interest rate risk through the impact of changes in market interest rates on the fair values of its instruments.

The Company is exposed to price risk with respect to the Company's bank indebtedness (Note 7) Royal Bank prime rate + 2.25% per annum, the convertible promissory notes (Note 11) which bears interest at fixed interest rate of 10% (December 31, 2018 - nil) per annum, the Espresso Revolving Credit Facility (Note 8) with a fixed rate of 15.25% per annum (December 31, 2018 - 15.25%) and the SOFII loan (Note 8) with a fixed rate of 11% per annum (December 31, 2018 - 11%).

The Company is exposed to cash flow risk with respect to the Company's convertible debentures (Note 9) which bear interest at 10% (December 31, 2018 – 10%) per annum and promissory notes to shareholders (Note 10) which bear interest at the TD Bank prime rate (December 31, 2018 - TD Bank prime rate).

Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Company manages liquidity risk by maintaining adequate cash balances and borrowing facilities, by continuously monitoring forecasted and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The following table gives the Company's financial liabilities and contractual maturities as follows:

	< 1 year	*1-2 years*	*> 3 years*	*Total*
Bank indebtedness	702,467	-	-	**702,467**
Accounts payable and accrued liabilities	296,936	-	-	**296,936**
Long-term debt	236,177	131,866	198,031	**566,074**
Convertible debentures	598,199	-	-	**598,199**
Promissory notes - shareholders	36,770	345,028	-	**381,798**
Convertible promissory notes	370,000	-	-	**370,000**

(Presented in Canadian dollars)

14. Financial Instruments *(continued from previous page)*

Credit risk and economic dependence

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's principal financial assets that expose it to credit risk are its accounts receivable, and the Company mitigates this risk by monitoring the credit worthiness of its customers.

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the company's historical collections and loss experience and incorporates forward-looking factors, where appropriate.

	Current 1 -30 days	Aged 31-60 days	Aged 61-90 days	Aged 91-120 days	Aged 120 days and over	Total
	$	$	$	$	$	$
Expected loss rate	0.50%	1.25%	1.25%	12.25%	50.00%	
Gross trade receivables	553,406	5,681	2,990	14,472	-	576,549
Expected loss provision	2,767	71	37	1,773	-	4,648

A credit concentration exists relating to accounts receivable. As at March 31, 2019, four customers (December 31, 2018 - two customers) accounted for approximately 64% (December 31, 2018 - 57%) of accounts receivable and three customers (2018 - four) accounted for 47% of revenues from operations (2018 - 76%). The loss of any of these customers could have a significant adverse impact on the Company's financial results if replacement customers could not be found in a timely manner.

As at March 31, 2019, the Company has recorded a provision for expected credit losses of $4,648 (December 31, 2018 - $14,941).

14. Financial Instruments *(continued from previous page)*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes transactions denominated in United States dollars for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. Management regularly reviews the foreign exchange rates in relation to the Canadian dollar and the Company's foreign currency position. As at March 31, 2019, the following items are denominated in United States dollars:

	March 31, 2019	December 31, 2018
Cash	**28,529**	17,124
Accounts receivable	**576,549**	285,307
Accounts payable and accrued liabilities	**9,132**	31,822

A 5% fluctuation of the United States dollar would result in an exchange gain or loss on the net financial assets of approximately $22,281 (2018 - $10,494) as at March 31, 2019.

15. Related party transactions

Key management compensation of the Company

Key management personnel are comprised of the Company's directors and executive officers. In addition to their salaries, key management personnel also receive share-based compensation. Key management personnel compensation is as follows:

	March 31, 2019	**March 31, 2018**
Salaries and benefits, including bonuses	**56,625**	90,000
Share-based compensation	**1,438**	4,401
	58,063	94,401

16. IFRS 16–Adoption of Lease Accounting

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of $805,774 were recorded as of January 1, 2019, with no net impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using its borrowing rate at January 1, 2019. The rate applied is approximately 11%.

The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

(Presented in Canadian dollars)

16. IFRS 16 – Adoption of Lease Accounting *(continued from previous page)*

Right-of-use assets consists of a lease agreement related to Company's premises. Future minimum lease payments related to the obligation under capital lease are as follows:

2019		292,159
2020		389,545
2021		227,235
Total	$	908,939

The following table summarizes the impact of adopting IFRS 16 on the Company's interim consolidated statement of loss for the three months ended March 31, 2019:

		March 31, 2019 As reported		Adjustments		March 31, 2019 Without adoption of IFRS 16
Revenue	**$**	**642,889**	**$**	**36,000**	**$**	**606,889**
Operating expenses						
Salaries, wages and benefits		**636,088**				**636,088**
Office and general		**78,585**				**78,585**
Occupancy		**-**		**(52,853)**		**52,853**
Interest		**44,838**				**44,838**
Advertising and promotion		**13,879**				**13,879**
Travel and entertainment		**46,830**				**46,830**
Professional fees		**25,937**				**25,937**
Bank charges		**1,682**				**1,682**
Bad debts		**(7,719)**				**(7,719)**
Foreign exchange loss (gain)		**(5,309)**				**(5,309)**
Amortization		**77,594**		**73,795**		**3,799**
		912,405		**20,942**		**891,463**
Loss before the undernoted items		**(269,516)**				**(284,574)**
Other expenses (income)						
Accretion expense		**61,957**		**20,566**		**41,391**
Gain on extinguishment of convertible debentures		**(15,323)**				**(15,323)**
Loss on derivative liability - convertible promissory notes		**39,000**				**39,000**
Share-based compensation		**7,500**				**7,500**
		93,134		**20,566**		**72,568**
Net loss and comprehensive loss	**$**	**(362,650)**	**$**	**(5,508)**	**$**	**(357,142)**

(Presented in Canadian dollars)

17. Capital Management

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions, so that it can provide above average returns for its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' deficit, which consists of issued capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of general economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long term debt, issue shares, repurchase shares through a normal course issuer bid and pay dividends. The Board of Directors reviews and approves any material transactions not in the ordinary course of business that may include various acquisition proposals, as well as capital and operating budgets. No changes were made in the objectives, policies or processes of capital management during the years ended March 31, 2019 and December 31, 2018. As disclosed in Notes 7 and 8, the Company is subject to covenants on its bank indebtedness and long-term debt.

18. Revenue

Revenue is disaggregated primarily by performance obligation. Contract liabilities include deferred revenue which represents cash received in advance service being provided.

	For the 3 months ended	
	March 31, 2019	March 31, 2018
Revenue by Performance Obligation		
Design and Implementation Revenue	**240,821**	530,793
License, Maintenance and Support Revenue	**402,068**	449,071
	642,889	979,864

	March 31, 2019	December 31, 2018
Contract Liabilities		
Deferred Design and Implementation Revenue	**190,785**	268,779
Deferred License, Maintenance and Support Services Revenue	**1,642,959**	1,183,108
	1,833,744	1,451,887

19. Subsequent events

Subsequent to the period ended March 31, 2019, the shareholders of the Company agreed to sell 100% of the outstanding shares to Inpixon (the "Acquirer"), a United States publicly traded company, in exchange for consideration of $5,000,000 cash and $3,000,000 in shares of the Acquirer.

Inpixon and Subsidiaries
Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma condensed combined balance sheet as of March 31, 2019 and the unaudited pro forma condensed combined statements of operations for each of the three months ended March 31, 2019 and for the year ended December 31, 2018 combine the financial statements of Inpixon and Subsidiaries ("Inpixon**")** and Jibestream Inc. ("Jibestream"), giving effect to the acquisition of Jibestream as described in the Acquisition Agreement, plus the completion of a minimum capital raise as required by the Acquisition Agreement (collectively the "Transactions"), as if they had occurred on January 1, 2018 in respect of the unaudited pro forma condensed combined statements of operations and on March 31, 2019 in respect of the unaudited pro forma condensed combined balance sheet.

The unaudited pro forma condensed combined financial information should be read in conjunction with:

- Inpixon's audited consolidated financial statements and accompanying notes as of and for the year ending December 31, 2018, as contained in its Annual Report on Form 10-K filed on March 28, 2019 (the "2018 Annual Report") with the United States Securities and Exchange Commission (the "SEC").

- Inpixon's unaudited condensed consolidated financial statements and accompanying notes as of and for the three months ending March 31, 2019, as contained in its Quarterly Report on Form 10-Q (the "2019 Quarterly Report") filed on filed on May 14, 2019 with the SEC.

- Jibestream's audited financial statements as of and for the years ended December 31, 2018 and 2017, contained elsewhere in this filing.

- Jibestream's unaudited condensed financial statements as of and for the three months ended March 31, 2019 and 2018, contained elsewhere in this filing.

- the other information contained in or incorporated by reference into this filing.

The financial statements of Jibestream were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (" IASB"). The consolidated financial statements of Inpixon were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The unaudited pro forma condensed combined financial information includes adjustments to convert the financial information of Jibestream from IFRS to U.S. GAAP as issued by the Financial Accounting Standards Board ("FASB"), as well as reclassifications to conform Jibestream's historical accounting presentation to Inpixon's accounting presentation.

In addition, the consolidated financial statements of Inpixon are presented in US dollars ("USD") whereas, the financial statements of Jibestream are presented in Canadian Dollars ("CAD"). Therefore, the unaudited pro forma condensed combined financial information includes adjustments to convert Jibestream's financial information from CAD to USD.

The final purchase consideration and the allocation of the purchase consideration may materially differ from that reflected in the unaudited pro forma condensed combined financial information after final valuation procedures are performed and amounts are finalized following the completion of the acquisition.

The unaudited pro forma adjustments give effect to events that are directly attributable to the Transactions and are based on available data and certain assumptions that management believes are factually supportable. In addition, with respect to the unaudited condensed combined statements of operations, the unaudited pro forma adjustments are expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and to aid you in your analysis of the financial aspects of the Transactions. The unaudited pro forma condensed combined financial information described above has been derived from the historical financial statements of Inpixon and Jibestream and the related notes. The unaudited pro forma condensed combined financial information is based on Inpixon's accounting policies. Further review may identify additional differences between the accounting policies of Jibestream and Inpixon. The unaudited pro forma adjustments and the pro forma condensed combined financial information don't reflect the impact of synergies or post-transaction management actions and are not necessarily indicative of the financial position or results of operations that may have actually occurred had the Transactions taken place on the dates noted, or of Inpixon's future financial position or operating results.

Inpixon and Subsidiaries
Unaudited Pro Forma Condensed Combined Balance Sheet
March 31, 2019
(USD 000's)

	Inpixon Note A	Jibestream Note B	Capital Raise Note C	Acquisition Note D	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 3,830	$ -	$ 13,800(a)	$ (3,888)(b),(d)	$ 13,742
Accounts receivable, net	1,748	442	-	-	2,190
Notes and other receivables	68	64	-	-	132
Restricted short-term investments	-	247	-	(247)(b)	-
Inventory	698	-	-	-	698
Prepaid assets and other current assets	436	47	-	-	483
Total current assets	6,780	801	13,800	(4,135)	17,245
Non-current assets:					
Property and equipment, net	133	14	-	-	147
Operating lease right-of-use asset, net	563	548	-	5(d)	1,116
Software development costs, net	1,705	-	-	-	1,705
Intangible assets, net	3,697	-	-	4,976(d)	8,673
Goodwill	-	-	-	3,281(d)	3,281
Loan to related party	7,026	-	-	-	7,026
Other assets	218	-	-	-	218
Total non-current assets	13,342	562	-	8,262	22,166
Total assets	$ 20,122	$ 1,362	$ 13,800	$ 4,127	$ 39,411
Liabilities, temporary equity and stockholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities	$ 2,399	$ 222	$ 375(a)	$ -	$ 2,995
Operating lease obligation	331	247	-	-	578
Deferred lease inducement	-	69	-	(69)(d)	-
Deferred revenue	173	1,373	-	(205)(d)	1,341
Convertible promissory notes	-	277	-	(277)(c)	-
Convertible debentures	-	482	-	(482)(b)	-
Long-term debt, current portion	-	177	-	(177)(b)	-
Other indebtedness	3,970	554	-	(554)(b)	3,970
Total current liabilities	6,873	3,401	375	(1,764)	8,884
Non-current liabilities:					
Deferred tax liability	-	-	-	1,300(d)	1,300
Promissory notes	-	258	-	(258)(b)	-
Long-term debt	73	247	-	(247)(b)	73
Operating lease obligation	268	306	-	-	574
Total non-current liabilities	341	811	-	795	1,947
Total liabilities	7,214	4,212	375	(969)	10,831
Temporary equity:					
Preferred stock	-	1,426	-	(1,426)(b),(c)	-
Stockholders' equity:					
Preferred stock	-	-	-	-	-
Common stock	7	112	37(a)	(107)(b),(c),(d)	49
Additional paid-in capital	136,482	136	13,388(a)	2,106(b),(d)	152,112
Treasury stock	(695)	-	-	-	(695)
Accumulated other comprehensive income	18	-	-	-	18
Accumulated deficit	(122,917)	(4,523)	-	4,523(d)	(122,917)
Non-controlling interests	13	-	-	-	13
Total stockholders' equity	12,908	(4,275)	13,425	6,522	28,580
Total liabilities, temporary equity and stockholders' equity	$ 20,122	$ 1,362	$ 13,800	$ 4,127	$ 39,411

See notes to the unaudited pro forma condensed combined financial information

Inpixon and Subsidiaries
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended March 31, 2019
(USD 000's except for shares and per share amounts)

	Inpixon	Jibestream	Pro Forma Adjustments	Pro Forma Combined
	Note A	Note B	Note C	
Revenues	$ 1,363	$ 483	$ -	$ 1,846
Cost of revenues	337	133	-	470
Gross profit	1,026	351	-	1,377
Operating expenses				
Research and development	956	-	-	956
Sales and marketing	633	10	-	643
General and administrative	3,351	527	-	3,878
Acquisition related costs	137	-	-	137
Amortization of intangibles	812	3	59(a)	874
Total operating expenses	5,889	541	59	6,488
Loss from operations	(4,863)	(190)	(59)	(5,112)
Other income/(expense)				
Interest expense	(356)	(34)	34(b)	(356)
Other income	69	-	-	69
Total other expense	(287)	(34)	34	(287)
Pre-tax loss	(5,150)	(224)	(25)	(5,399)
Income tax benefit	-	-	16(a)	16
Net loss	(5,150)	(224)	(9)	(5,383)
Net loss attributable to non-controlling interest	(5)	-	-	(5)
Net loss attributable to stockholders of Inpixon	(5,145)	(224)	(9)	(5,378)
Deemed dividend for triggering of warrant down round feature	(1,250)	-	-	(1,250)
Net loss attributable to common stockholders	$ (6,395)	$ (224)	$ (9)	$ (6,628)
Loss per share:				
- basic and diluted	$ (1.42)			$ (0.14)
Weighted average number of common shares outstanding:				
- basic and diluted	4,495,536		41,242,916(c)	45,738,452

See notes to the unaudited pro forma condensed combined financial information

Inpixon and Subsidiaries
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2018
(USD 000's except for shares and per share amounts)

	Inpixon	Jibestream	Pro Forma Adjustments	Pro Forma Combined
	Note A	Note B	Note C	
Revenues	$ 3,756	$ 2,441	$ -	$ 6,197
Cost of revenues	1,076	671	-	1,747
Gross profit	2,680	1,770	-	4,450
Operating expenses				
Research and development	1,231	-	-	1,231
Sales and marketing	1,726	97	-	1,823
General and administrative	14,149	2,546	-	16,695
Acquisition related costs	108	-	-	108
Impairment of goodwill	636	-	-	636
Amortization of intangibles	3,232	19	235(a)	3,487
Total operating expenses	21,082	2,662	235	23,980
Loss from operations	(18,402)	(893)	(235)	(19,530)
Other income/(expense)				
Interest expense	(1,241)	(132)	132(b)	(1,241)
Gain on sale of Sysorex Arabia	23	-	-	23
Change in fair value of derivative liabilities	48	-	-	48
Other expense	(211)	-	-	(211)
Total other expense	(1,381)	(132)	132	(1,381)
Pre-tax loss from continuing operations	(19,783)	(1,025)	(103)	(20,911)
Income tax benefit	-	-	62(a)	62
Net loss from continuing operations	(19,783)	(1,025)	(41)	(20,848)
Deemed dividend to preferred stockholders	(6,407)	-	-	(6,407)
Deemed dividend for triggering of warrant down round feature	(13,645)	-	-	(13,645)
Net loss from continuing operations attributable to common stockholders	$ (39,835)	$ (1,025)	$ (41)	$ (40,900)
Loss per share:				
- basic and diluted	$ (51.62)			$ (0.97)
Weighted average number of common shares outstanding:				
- basic and diluted	771,688		41,242,916(c)	42,014,604

See notes to the unaudited pro forma condensed combined financial information

Inpixon and Subsidiaries
Notes to Unaudited Pro Forma Condensed Combined Financial Information

Basis of Presentation

The unaudited pro forma condensed combined financial information set forth herein is based upon the consolidated financial statements of Inpixon and Jibestream. The unaudited pro forma condensed combined financial information is presented as if the Transactions had been completed on January 1, 2018 with respect to the unaudited pro forma condensed combined statements of operations for each of the three months ended March 31, 2019 and for the year ended December 31, 2018 and on March 31, 2019 in respect of the unaudited pro forma condensed combined balance sheet.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not necessarily indicative of the combined financial position or results of operations had the Transactions occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the completion of the Transactions.

We have accounted for the acquisition in this unaudited pro forma condensed combined financial information using the acquisition method of accounting, in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 805 “Business Combinations” (“ASC 805”). In accordance with ASC 805, we used our best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. Goodwill as of the acquisition date is measured as the excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired.

Inpixon’s consolidated financial information is prepared in accordance with U.S. GAAP as issued by the FASB and is presented in USD. Jibestream’s financial information has been historically prepared in accordance with IFRS as issued by the IASB and was presented in CAD and has been converted for the purpose of this unaudited pro forma condensed consolidated financial information to be consistent with the Inpixon presentation.

Pro forma adjustments reflected in the pro forma condensed combined statements of operations are based on items that are factually supportable, directly attributable to the Transactions and expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information does not reflect the cost of any integration activities or benefits from the transaction, including potential synergies that may be generated in future periods.

All Monetary Amounts Other Than Per Share Information Are Presented in 000's Unless Otherwise Indicated

Pro Forma Adjustments

The following pro forma adjustments give effect to the Transactions.

Unaudited Pro Forma Condensed Combined Balance Sheet – As of March 31, 2019

Note A Derived from the unaudited condensed consolidated balance sheet of Inpixon as of March 31, 2019 included in the 2019 Quarterly Report.

Note B Derived from the unaudited condensed U.S. GAAP balance sheet of Jibestream as of March 31, 2019 included on the next page and translated from CAD to USD. The indicated exchange rate used to translate CAD to USD at March 31, 2019 was the rate of 0.7489 as set out in the table below.

CAD to USD Translation:

	Jibestream GAAP (CAD)	EXCHANGE RATE 0.7489	Jibestream GAAP (USD)
Assets			
Current assets:			
Cash and cash equivalents	$ -		$ -
Restricted short-term investments	330		247
Accounts receivable	590		442
Investment tax credits receivable	86		64
Prepaid expenses and deposits	63		47
Total current assets	1,069		801
Non-current assets:			
Property and equipment	18		14
Right of use asset	732		548
Total non-current assets	750		562
Total assets	$ 1,819		$ 1,362
Liabilities, temporary equity and shareholders' equity			
Current liabilities:			
Bank indebtedness	$ 702		$ 526
Accounts payable and accrued liabilities	297		222
Deferred lease inducement	92		69
Deferred revenue	1,834		1,373
Convertible promissory notes	370		277
Current portion of long-term debt	236		177
Current portion of convertible debentures	644		482
Current portion of promissory notes- shareholders	37		28
Current portion of lease obligation	329		247
Total current liabilities	4,541		3,401
Non-current liabilities:			
Long-term debt	330		247
Lease obligation	408		306
Promissory notes- shareholders	345		258
Total non-current liabilities	1,083		811
Total liabilities	5,625		4,212
Temporary equity:			
Preferred stock	1,904		1,426
Shareholders' equity:			
Share capital	150		112
Deficit	(6,040)		(4,523)
Contributed surplus	181		135
Total shareholders' equity	(5,709)		(4,275)
Total liabilities, temporary equity and shareholders' equity	$ 1,819		$ 1,362

The Jibestream U.S. GAAP balance sheet was derived from the unaudited condensed financial statements of Jibestream as of March 31, 2019, prepared in accordance with IFRS as issued by the IASB and adjusted to conform with U.S. GAAP, as issued by the FASB. The table below provides a reconciliation between the unaudited condensed IFRS balance sheet and the unaudited condensed U.S. GAAP balance sheet.

IFRS to U.S. GAAP Adjustments:

	Jibestream IFRS (CAD)	GAAP Adjustments (CAD)	Jibestream GAAP (CAD)
Assets			
Current assets:			
Cash and cash equivalents	$ -	$ -	$ -
Restricted short-term investments	330	-	330
Accounts receivable	590	-	590
Investment tax credits receivable	86	-	86
Prepaid expenses and deposits	63	-	63
Total current assets	1,069	-	1,069
Non-current assets:			
Property and equipment	18	-	18
Right of use asset	732	-	732
Total non-current assets	750	-	750
Total assets	$ 1,819	$ -	$ 1,819
Liabilities, temporary equity and shareholders' equity			
Current liabilities:			
Bank indebtedness	$ 702	$ -	$ 702
Accounts payable and accrued liabilities	297	-	297
Deferred lease inducement	92	-	92
Deferred revenue	1,834	-	1,834
Convertible promissory notes	1	369(a)	370
Current portion of long-term debt	236	-	236
Current portion of convertible debentures	598	45(b)	644
Current portion of promissory notes- shareholders	37	-	37
Current portion of lease obligation	329	-	329
Derivative liability-convertible debentures	127	(127)(c)	-
Derivative liability-convertible promissory notes	741	(741)(d)	-
Total current liabilities	4,996	(454)	4,541
Non-current liabilities:			
Long-term debt	330	-	330
Lease obligation	408	-	408
Promissory notes- shareholders	345	-	345
Preferred shares	1,904	(1,904)(e)	-
Total non-current liabilities	2,987	(1,904)	1,083
Total liabilities	7,983	(2,358)	5,625
Temporary equity:			
Preferred stock	-	1,904(e)	1,904
Shareholders' equity:			
Share capital	150	-	150
Deficit	(6,494)	454(a)(b)(c)(d)	(6,040)
Contributed surplus	181	-	181
Total shareholders' equity	(6,163)	454	(5,709)
Total liabilities, temporary equity and shareholders' equity	$ 1,819	$ -	$ 1,819

(a) To reverse convertible promissory notes' debt discount related to its bifurcated embedded conversion options under IFRS which pursuant to the terms of their respective agreement, does not require bifurcation under U.S. GAAP.

(b) To reverse convertible debentures' debt discount under IFRS which pursuant to the terms of their respective agreements, does not require bifurcation under U.S. GAAP.

(c) To reverse convertible debentures' bifurcated embedded conversion options under IFRS which pursuant to the terms of their respective agreements, does not require bifurcation under U.S. GAAP.

(d) To reverse convertible promissory notes' bifurcated embedded conversion options under IFRS which pursuant to the terms of their respective agreements, does not require bifurcation under U.S. GAAP.

(e) To reclassify redeemable preferred stock accounted for as a liability under IFRS to temporary equity under U.S. GAAP.

Pro Forma Adjustments:

Note C – Capital Raise

(a) To record the receipt of approximately $15,000 in gross proceeds in cash for the issuance of 36,585,366 shares of common stock and warrants in a public offering, based on the $0.41 per share closing price of Inpixon's common stock on July 24, 2019. Note that each $0.05 per share increase or decrease in the final offering price of Inpixon's equity securities results in a 3,976,670 decrease or increase in the shares issued, respectively.

The Acquisition Agreement requires the completion of a minimum of a $15,000,000 capital raise, although Inpixon and Jibestream could agree to accept a smaller capital raise and a larger capital raise is currently targeted. Note that each $3,000,000 increase or decrease in the final gross proceeds results in a 7,317,073 increase or decrease in the shares issued, respectively, based on the $0.41 per share closing price of Inpixon's common stock on July 24, 2019.

Furthermore, due to the existence of a 4.99% beneficial ownership blocker, some of the pro forma issuances of common stock could be in the form of non-voting, convertible preferred stock. The portion issuable in convertible preferred stock is indeterminable at this time.

The placement agent fee is expected to be $1,200. This transaction also includes approximately $375 in deferred offering costs charged to additional paid in capital upon closing.

Note D – Acquisition

(b) To record a portion of the cash purchase consideration used to pay down $1,471 of certain debt. $247 of restricted short term investments will also be used to pay down certain debt. The preferred stock will be converted into common stock prior to the closing of the acquisition.

(c) To give effect to the convertible promissory notes that will be converted into redeemable preferred stock prior to closing.

(d) The following table summarizes the purchase consideration and the preliminary allocation of the assets acquired and liabilities assumed, based on their fair values on the acquisition date. The purchase consideration constitutes the following: the payment of approximately $3,744 of cash (CAD 5,000,000), $144 of net cash adjustments to the purchase price and the issuance of 5,479,471 shares of Inpixon common stock (based on the $0.41 closing price per share of Inpixon common stock on July 24, 2019), plus warrants, with an aggregate value of approximately $2,247 (CAD 3,000,000)(collectively the "Purchase Consideration"). Note that each $0.05 per share increase or decrease in the final offering price of Inpixon's equity securities results in a 595,705 decrease or increase in the shares issued to the Jibestream stockholders, respectively.

Jibestream Purchase Price Allocation
(000's) USD

Cash	$	3,744
Working capital adjustment - cash		256
Deferred revenue cost adjustment - cash		(112)
Common stock		2,247
Purchase Consideration	$	6,135
Less:		
Net working capital deficit	$	(836)
Deferred tax liabilities (4)		(1,300)
Property and equipment		14
Proprietary technology (1)		3,887
Customer relationships (2)		784
Non-compete (3)		306
Fair value of net assets acquired	$	2,854
Goodwill value	$	3,281

(1) The proprietary technology is currently presumed to have an indefinite useful life.

(2) The customer relationships are currently presumed to have an estimated useful life of 9.5 years.

(3) The non-compete agreements are currently presumed to have an estimated useful life of 2 years.

(4) The deferred tax liabilities relate to the acquired intangible assets.

Unaudited Pro Forma Condensed Combined Statement of Operations

For The Three Months Ended March 31, 2019

Note A Derived from the unaudited condensed statement of operations of Inpixon for the three months ended March 31, 2019 included elsewhere in the 2019 Quarterly Report.

Note B Derived from the unaudited condensed U.S. GAAP statement of operations of Jibestream for the three months ended March 31, 2019 included on the next page and translated from CAD to USD. The average exchange rate used to translate CAD to USD for the three months ended March 31, 2019 was the rate of 0.7521 as set out in the table below.

CAD to USD Translation:

	Jibestream GAAP (CAD)	EXCHANGE RATE 0.7521	Jibestream GAAP (USD)
Revenues	$ 643		$ 483
Cost of revenues	177		133
Gross profit	466		351
Operating expenses			
Salaries, wages and benefits	479		360
Office and general	59		44
Amortization	4		3
Travel and entertainment	47		35
Share-based compensation	8		6
Professional fees	26		20
Advertising and promotion	14		10
Bank charges	2		1
Occupancy	94		71
Foreign exchange loss	(5)		(4)
Bad debts	(8)		(6)
Total operating expenses	719		541
Loss from operations	(253)		(190)
Other (income)/expenses			
Interest	45		34
Total other expense	45		34
Net loss	$ (298)		$ (224)

The Jibestream U.S. GAAP statement of operations were derived from the unaudited condensed statement of operations of Jibestream for the three months ended March 31, 2019, prepared in accordance with IFRS as issued by the IASB and have been adjusted to conform with U.S. GAAP as issued by the FASB. The table below provides a reconciliation between the unaudited condensed IFRS statement of operations and the unaudited condensed U.S. GAAP statement of operations.

IFRS to U.S. GAAP Adjustments:

	Jibestream IFRS (CAD)	GAAP Adjustments (CAD)	Jibestream GAAP (CAD)
Revenues	$ 643	$ -	$ 643
Cost of revenues	-	177(f)	177
Gross profit	643	(177)	466
Operating expenses			
Salaries, wages and benefits	636	(157)(f)	479
Office and general	79	(20)(f)	59
Amortization	78	(74)(a)	4
Travel and entertainment	47	-	47
Interest	45	(45)(d)	-
Share-based compensation	-	8(e)	8
Professional fees	26	-	26
Advertising and promotion	14	-	14
Bank charges	2	-	2
Occupancy	-	94(a)	94
Foreign exchange loss	(5)	-	(5)
Bad debts	(8)	-	(8)
Total operating expenses	912	(194)	719
Loss from operations	(270)	17	(253)
Other (income)/expenses			
Accretion expense	62	(62)(a)	-
Interest expense	-	45(d)	45
Gain on derivative liability- convertible debenture	(15)	15(b)	-
Loss on derivative liability-convertible promissory notes	39	(39)(c)	-
Share-based compensation	8	(8)(e)	-
Total other expense	93	(48)	45
Net loss	$ (363)	$ 65	$ (298)

(a) To reclassify amortization and accretion expense under IFRS 16 to lease expense under ASC 842.

(b) To reverse the gain on change in fair value of convertible debenture's bifurcated embedded conversion feature.

(c) To reverse the loss on change in fair value of convertible promissory notes' bifurcated embedded conversion option.

(d) To reclassify interest expense from operating expenses into other expenses.

(e) To reclassify share-based compensation from other expenses into operating expenses.

(f) To reclassify certain operating expenses into cost of revenues.

Note C-Pro Forma Adjustments:

(a) To record the amortization of the fair value of customer relationships with a useful life of 9.5 years plus the non-compete agreements with a useful life of 2 years. An income tax benefit related to that amortization was also recorded.

(b) To eliminate interest expense associated with certain debt and other promissory notes as they were repaid or converted as a result of the Transactions.

(c) To adjust weighted average shares outstanding used in earnings per share calculations for an additional 41,242,916 shares of Inpixon common stock issued as a result of the Transactions, based on the $0.41 per share closing price of Inpixon common stock as of July 24, 2019. The 41,242,916 shares is comprised of 36,585,366 shares issued in the equity offering, plus the 5,479,471 shares issued in the acquisition, less the 821,921 (15%) of the acquisition shares being withheld for potential indemnification claims. All potentially dilutive securities are anti-dilutive. See the balance sheet footnotes for the discussion regarding the sensitivity of the share quantities to the final offering price.

Unaudited Pro Forma Condensed Combined Statement of Operations

For The Year Ended December 31, 2018

Note A Derived from the unaudited condensed statement of operations of Inpixon for the year ended December 31, 2018 included elsewhere in this filing.

Note B Derived from the unaudited condensed U.S. GAAP statement of operations of Jibestream for the year ended December 31, 2018 included on the next page and translated from CAD to USD. The average exchange rate used to translate CAD to USD for the year ended December 31, 2018 was the rate of 0.7717 as set out in the table below.

CAD to USD Translation:

	Jibestream GAAP (CAD)	EXCHANGE RATE 0.7717	Jibestream GAAP (USD)
Revenues	$ 3,163		$ 2,441
Cost of revenues	870		671
Gross profit	$ 2,293		$ 1,770
Operating expenses			
Salaries, wages and benefits	2,355		1,817
Office and general	337		260
Occupancy	345		266
Advertising and promotion	126		97
Travel and entertainment	119		92
Professional fees	111		86
Bad debts	58		45
Amortization	25		19
Share-based compensation	39		30
Sub-contracts	7		5
Foreign exchange gain	(71)		(54)
Total operating expenses	3,450		2,662
Loss from operations	(1,157)		(893)
Other (income)/expenses			
Interest	171		132
Total other expense	171		132
Net loss	$ (1,328)		$ (1,025)

The Jibestream U.S. GAAP statement of operations was derived from the unaudited condensed statement of operations of Jibestream for the year ended December 31, 2018, prepared in accordance with IFRS as issued by the IASB and adjusted to conform with U.S. GAAP as issued by the FASB. The table below provides a reconciliation between the unaudited condensed IFRS statement of operations and the unaudited condensed U.S. GAAP statement of operations.

FRS to U.S. GAAP Adjustments:

	Jibestream IFRS (CAD)	GAAP Adjustments (CAD)	Jibestream GAAP (CAD)
Revenues	$ 3,163	$ -	$ 3,163
Cost of revenues	-	870(g)	870
Gross profit	$ 3,163	$ (870)	$ 2,293
Operating expenses			
Salaries, wages and benefits	3,145	(790)(g)	2,355
Office and general	417	(80)(g)	337
Occupancy	345	-	345
Interest	171	(171)(f)	-
Advertising and promotion	126	-	126
Travel and entertainment	119	-	119
Professional fees	111	-	111
Bad debts	58	-	58
Amortization	25	-	25
Share-based compensation	-	39(e)	39
Sub-contracts	7	-	7
Foreign exchange gain	(71)	-	(71)
Total operating expenses	4,452	(1,002)	3,450
Loss from operations	(1,289)	132	(1,157)
Other (income)/expenses			
Accretion expense	216	(216)(a)	-
Interest expense	-	171(f)	171
Loss on derivative liability- convertible debenture	13	(13)(b)	-
Gain on extinguishment of convertible debentures	(287)	287(c)	-
Loss on derivative liability-convertible promissory notes	332	(332)(d)	-
Share-based compensation	39	(39)(e)	-
Total other expense	312	(140)	171
Net loss	$ (1,601)	$ 273	$ (1,328)

(a) To reverse the accretion of debt discount recognized for convertible debentures bifurcated embedded conversion feature.

(b) To reverse the loss on change in fair value of convertible debentures' bifurcated embedded conversion feature.

(c) To reverse the gain on extinguishment of convertible debentures.

(d) To reverse the loss on change in fair value of convertible promissory notes' bifurcated embedded conversion feature.

(e) To reclassify share-based compensation from other expenses into operating expenses.

(f) To reclassify interest expense from operating expenses into other expenses.

(g) To reclassify certain operating expenses into cost of revenues.

Note C - Pro Forma Adjustments:

(a) To record the amortization of the fair value of customer relationships with a useful life of 9.5 years plus the non-compete agreements with a useful life of 2 years. An income tax benefit related to that amortization was also recorded.

(b) To eliminate interest expense associated with certain debt, convertible, and other promissory notes as they were deemed to be repaid as a result of the transaction.

(c) To adjust weighted average shares outstanding used in earnings per share calculations for an additional 41,242,916 shares of Inpixon common stock issued as a result of the Transactions, based on the $0.41 per share closing price of Inpixon common stock as of July 24, 2019. The 41,242,916 shares is comprised of 36,585,366 shares issued in the equity offering, plus the 5,479,471 shares issued in the acquisition, less the 821,921 (15%) of the acquisition shares being withheld for potential indemnification claims. All potentially dilutive securities are anti-dilutive. See the balance sheet footnotes for the discussion regarding the sensitivity of the share quantities to the final offering price.