Consolidated Financial Statements of

TELEHOP COMMUNICATIONS INC.

Years ended December 31, 2015 and 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Telehop Communications Inc. ("Telehop" or the "Company") and its subsidiaries and all the information in the Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements include certain amounts that are based on the best estimates and judgements of management and in their opinion present fairly, in all material respects, Telehop's financial position, results of operations and cash flows, in accordance with IFRS. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements, or has provided reconciliations where inconsistencies exist.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee. This committee meets with management and the Company's independent auditors to review the Company's reported financial performance and to discuss audit, internal controls, accounting policies, and financial reporting matters.

The consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors. The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

April 29, 2016

"Rajiv Jagota"	"Inder Saini"
President	Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Telehop Communications Inc.

We have audited the accompanying consolidated financial statements of Telehop Communications Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Telehop Communications Inc. as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 29, 2016
Toronto, Canada

TELEHOP COMMUNICATIONS INC.

Consolidated Statements of Financial Position

December 31, 2015 and 2014

	Notes	2015	2014
Assets			
Current assets:			
Cash and cash equivalents	5	$ 712,410	$ 1,767,302
Trade and other receivables, net of allowance for doubtful accounts	6	1,419,204	1,746,351
Note receivable	7	–	127,071
Prepaid expenses and other		580,902	718,080
		2,712,516	4,358,804
Non-current assets:			
Property and equipment	8	818,805	1,036,955
Intangible assets	3, 9	2,021,330	2,737,548
Goodwill	3, 9	1,368,000	1,440,000
		4,208,135	5,214,503
		$ 6,920,651	$ 9,573,307
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	14	$ 1,748,796	$ 2,442,143
Income taxes payable	4	102,530	135,000
Provisions		7,000	13,988
Deferred revenue		1,248,020	1,232,197
Note payable - current	10(a)	–	855,596
Obligations under finance lease - current	17	5,355	8,508
		3,111,701	4,687,432
Non-current liabilities:			
Obligations under finance lease	17	13,572	5,715
Note payable - long term	10(a)	–	100,000
Deferred income tax liability	4	59,261	171,323
Debentures	10(b)	2,818,630	2,761,354
		2,891,463	3,038,392
		6,003,164	7,725,824
Shareholders' equity:			
Share capital	11(a)	3,279,265	3,279,265
Warrants	11(e)	185,625	185,625
Options reserve	11(d)	373,035	343,886
Deficit		(2,920,438)	(1,961,293)
		917,487	1,847,483
Subsequent event	11(e)		
Commitments	16		
Contingencies	19		
		$ 6,920,651	$ 9,573,307

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Rajan Arora" Director "Rajiv Jagota" Director

TELEHOP COMMUNICATIONS INC.

Consolidated Statements of Operations and Comprehensive Income

Years ended December 31, 2015 and 2014

	Notes	2015	2014
Revenue	20	$ 17,885,503	$ 17,113,670
Telecommunications costs		11,181,134	10,449,447
Gross margin		6,704,369	6,664,223
Operating expenses:			
General and administrative		3,851,546	4,055,042
Marketing and selling		1,694,249	1,451,835
Development and technical support		664,594	695,538
Depreciation and amortization	8, 9	688,620	557,999
Acquisition transaction costs	21	35,970	98,642
Impairment charge	9	245,500	–
Settlement charge	16	250,000	–
		7,430,479	6,859,056
Operating loss		(726,110)	(194,833)
Finance income and finance costs, net		(384,392)	(364,226)
Other income		6,825	50,064
		(377,567)	(314,162)
Loss before income taxes		(1,103,677)	(508,995)
Income tax recovery	4	(144,532)	(48,677)
Loss for the year		(959,145)	(460,318)
Other comprehensive income		–	–
Comprehensive loss		$ (959,145)	$ (460,318)
Loss per share:			
Basic and diluted	12	$ (0.030)	$ (0.015)

See accompanying notes to consolidated financial statements.

TELEHOP COMMUNICATIONS INC.

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2015 and 2014

	Share capital	Options reserve	Warrants	Deficit	Total
Balance, December 31, 2013	$ 2,319,265	$ 286,213	$ 185,625	$ (1,500,975)	$ 1,290,128
Loss for the year	–	–	–	(460,318)	(460,318)
Shares issued (note 11(b))	960,000	–	–	–	960,000
Stock-based compensation (note 11(d))	–	57,673	–	–	57,673
Balance, December 31, 2014	3,279,265	343,886	185,625	(1,961,293)	1,847,483
Loss for the year	–	–	–	(959,145)	(959,145)
Stock-based compensation (note 11(d))	–	29,149	–	–	29,149
Balance, December 31, 2015	$ 3,279,265	$ 373,035	$ 185,625	$ (2,920,438)	$ 917,487

See accompanying notes to consolidated financial statements.

TELEHOP COMMUNICATIONS INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2015 and 2014

	Notes	2015	2014
Cash provided by (used in):			
Operating activities:			
Loss for the year		$ (959,145)	$ (460,318)
Adjustment for non-cash items:			
Depreciation and amortization	8, 9	688,620	557,999
Finance income and finance costs, net		384,392	364,226
Stock-based compensation	11(d)	29,149	57,673
Impairment charge	9	245,500	–
Income tax recovery	4	(144,532)	(48,677)
Settlement charge	16	250,000	–
		493,984	470,903
Change in non-cash operating working capital:			
Trade and other receivables		327,147	147,083
Prepaid expenses and other current assets		137,178	(766,532)
Accounts payable, accrued liabilities and provisions		(950,335)	160,372
Deferred revenue		15,823	264,258
		23,797	276,084
Financing activities:			
Proceeds of debentures		–	3,000,000
Finance costs of debentures		–	(286,707)
Receipts from note receivable	7	127,071	–
Principal payments on note payable	10(a)	(755,596)	(795,234)
Payments of obligations under finance lease		(8,055)	(8,478)
Finance income and finance costs paid/received, net		(327,115)	(316,497)
		(963,695)	1,593,084
Investing activities:			
Acquisition of property and equipment	8	(10,275)	(7,578)
Acquisition of intangible assets	9	(4,719)	–
Acquisition of G3 Telecom, net of cash acquired	3	–	(757,442)
Acquisition of iRoam assets	10(a)	(100,000)	(300,000)
Proceeds on disposal of property and equipment	8	–	190,000
		(114,994)	(875,020)
Increase (decrease) in cash and cash equivalents		(1,054,892)	994,148
Cash and cash equivalents, beginning of year		1,767,302	773,154
Cash and cash equivalents, end of year		$ 712,410	$ 1,767,302
Non-cash financing and investing activities:			
Non-cash additions to property and equipment		$ 12,759	$ 7,932

See accompanying notes to consolidated financial statements.

1. Nature of business:

Telehop Communications Inc. (the "Company") is incorporated under the laws of the Province of Ontario. The Company's registered office and its head office is located at 1039 McNicoll Ave. Toronto, Ontario. The consolidated financial statements of the Company comprise the Company and its wholly-owned subsidiaries including International Telehop Network Systems Inc., Telehop Long Distance Service Ltd., Telehop Premium Business Services Inc., G3 Telecom USA Inc., 7140282 Canada Inc., Ellora Telecom Philippines Inc., ALO Mobile Inc., ALO Telecom Inc., Telehop Agencies Inc., and iRoam Mobile Solutions Ltd. The Company is a full service telecommunication provider and is registered with the Canadian Radio-Television and Telecommunications Commission as a licensed Class "A" Telecom Carrier.

2. Significant accounting policies:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were approved by the Board of Directors and authorized for issue on April 21, 2016.

(b) Basis of preparation:

The consolidated financial statements have been prepared on the historical cost basis except for certain assets and financial instruments that are measured at their fair values, as explained in the significant accounting policies below. Historical cost is based on the fair value of the consideration given in exchange for assets.

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

2. Significant accounting policies (continued):

(c) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company where control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements. All subsidiaries of the Company are wholly owned and controlled by the Company.

(ii) Transactions eliminated on consolidation:

Inter-company balances and transactions between subsidiaries are eliminated in preparing the consolidated financial statements.

(d) Revenue:

The Company earns its revenues from access to, and usage of, its telecommunications network by its customers. Its main service is to provide long-distance services through access to its network, which has the capability to track pertinent data for each individual call to a particular country destination. This allows the Company to rate each call by applying predetermined long-distance rates by country to the volume of minutes provided. The Company recognizes revenues at the fair value of the consideration received or receivable, including billed and unbilled, when it is probable that the consideration will be collected and services have been performed as described below.

Amounts billed to customers, but not yet earned, are recorded and presented as deferred revenue. Costs associated with these amounts are also deferred and recognized in the same period as the revenue is earned.

2. Significant accounting policies (continued):

The Company has two operating segments – retail and wireless services. The Company's services are packaged in different forms that include casual calling, subscriptions (equal access service, Telehop Home Phone and Telehop Business Services), prepaid calling cards, wholesale, and wireless services as follows:

(i) Retail:

(a) Casual calling:

This service allows customers to access the Company's network without the need to subscribe to a service contract or pay any direct fees. Customers can complete a long-distance call by dialing one of the Company’s carrier identification codes ("CIC") owned by the Company or dialling a local access code. Revenue is recognized when a customer dials a CIC code or local access code and completes a connected long-distance call.

(b) Subscriptions:

This service allows a customer to directly dial their long distance number, by dialing "1+" or "011+". The customer subscribes to this long distance service and is required to transfer carriers upon entering into a contract with the Company. For monthly block plans, the customer is provided a fixed number of minutes per month for a flat monthly fee, and revenue is recognized during the month of service. For per-minute plans, customers are charged a fixed rate per minute for each call, and revenue is recognized when a customer completes a long-distance call as access and usage of the Company's network has occurred.

(c) Home Phone:

The Company markets a VoIP (voice-over-internet-protocol) service under its Home Phone brand. This service allows a customer to place local and long-distance calls through a high-speed Internet connection allowing the customers to replace their home phone line with the Company's network for a stated monthly fee. Revenue is recognized monthly over the term of the contract.

2. Significant accounting policies (continued):

(d) Telehop Business Services:

The Company offers hosted PBX (Private Branch Exchange) business services that target small businesses and provide the customer with business telephone services for a stated monthly fee per line. Revenue is recognized monthly over the term of the contract and as additional services are used.

(e) Prepaid calling cards:

The Company offers prepaid long distance calling cards, where the customers dial a toll free number to make their long distance call through the Company's network. Proceeds on the sale of cards are deferred and revenue is recognized when a customer completes a connected long-distance call or at the time allotment on the card has expired.

(f) Wholesale:

The Company offers discounted rates to high volume resellers to carry their calls through the Company's network. Bulk minutes are sold by destination. Revenue is recognized when the resellers' customers make long-distance calls through the Company's network

(ii) Wireless services:

The Company provides global cellular phone communications services, SIM cards, roaming devices and worldwide Wi-Fi roaming solutions that are sold directly and through distributors for use around the world. Revenue is recognized monthly over the term of the contract and as usage is incurred.

(e) Share-based payment transactions:

Equity-settled share-based payments granted to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in note 13.

2. Significant accounting policies (continued):

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period of each tranche of the award, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

(f) Income taxes:

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, as well as any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant accounting policies (continued):

(g) Foreign currency translation:

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

(h) Financial instruments:

Financial assets and financial liabilities are recognized in the statements of financial position when the Company has become party to the contractual provisions of the instruments.

The Company's financial instruments primarily consist of cash and cash equivalents (classified as held-for-trading), trade and other receivables and note receivable (classified as loans and receivables), accounts payable and accrued liabilities (classified as other financial liabilities), notes payable (classified as other financial liabilities), finance leases (classified as other financial liabilities) and debentures (classified as other financial liabilities). The fair values of these financial instruments approximate their carrying values. Initial and subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification:

Loans and receivables and other financial liabilities are initially measured at fair value plus any directly attributable transaction costs and are subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period profit and loss.

Held-for-trading financial instruments are measured at fair value. All gains and losses are included in profit and loss for the periods in which they arise.

A fair value hierarchy is used to determine the significance of inputs used in fair value measurement.

2. Significant accounting policies (continued):

The three levels of the fair value hierarchy are:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

- Level 3 - inputs that are not based on observable market data.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Termination benefits:

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate an employee's employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

2. Significant accounting policies (continued):

(k) Property and equipment:

(i) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated 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 (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit or loss.

(ii) Cost of replacements:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized on replacement. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each major component of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

2. Significant accounting policies (continued):

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Switch equipment	10 years
Telecommunication equipment	5 years
Furniture and fixtures	5 years
Computer and customer equipment	3 years
Leasehold improvements	Term of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(l) Intangible assets:

(i) Recognition and measurement:

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Amortization:

Amortization is calculated over the cost of the asset less its estimated residual value, if any.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of intangible assets for the current and comparative periods is as follows:

Software	5 years
Website development	3 years
Customer lists	3 years

2. Significant accounting policies (continued):

Intangible assets that are deemed to have indefinite lives and intangible assets that are not yet ready for use are not amortized; they are reviewed annually for impairment.

The Company considers that intangible assets have indefinite lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Company. Indefinite life intangible assets include wireless spectrum licenses, trademarks, and FCC licenses and registration. The factors considered in making this determination include the existence of contractual rights for unlimited terms; or evidence that renewal of the contractual rights without significant incremental cost can be expected for indefinite future periods in view of the Company's investment intentions. The life cycles of the products and processes that depend on the asset are also considered.

(ii) Goodwill:

Where the fair value of consideration paid for a business combination exceeds the fair value of the identifiable net assets acquired, the difference is treated as purchased goodwill.

Goodwill is not amortized, it is tested annually for impairment.

(m) Leased assets:

Leases whereby the Company assumes substantially all the risks and rewards of ownership of the underlying assets are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments over the lease term. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases and the leased assets are not recognized in the Company's consolidated statements of financial position.

2. Significant accounting policies (continued):

(n) Impairment of assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and indefinite life intangible assets, the recoverable amount is estimated annually on December 31 of each fiscal year.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the Company uses discounted cash flows which are determined using a pre-tax discount rate specific to the asset or CGU. The discount rate used reflects current market conditions including risks specific to the assets. Significant estimates within the cash flows include recurring revenue growth rates and operating expenses. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, which for the Company's purposes is typically representative of the business unit level within the corporate and management structure. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

(o) Use of estimates and critical judgments:

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

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

2. Significant accounting policies (continued):

Key areas requiring judgment and estimation uncertainty include:

- Allowance for doubtful accounts - In developing the estimates for an allowance against existing receivables, the Company considers general and industry economic and market conditions as well as credit information available for the customer and the aging of the account. Changes in the carrying amount due to changes in economic and market conditions could significantly affect the earnings for the period;

- Useful lives of intangible assets and property and equipment - Management's judgment involves determining the expected useful lives of depreciable assets, to determine depreciation and amortization methods, and the asset's residual value;

- Impairment of non-financial assets - The process to determine whether there are triggering events of impairment of non-financial assets as well as the calculation of value in use requires use of assumptions such as estimates of future cash flows, discount rates and terminal growth rates;

- Stock-based compensation - In valuing stock options granted, the Company uses the Black-Scholes option pricing model. Several assumptions are used in the underlying calculation of fair values of the Company's stock options using the Black-Scholes option pricing model including the expected life of the option, risk-free interest rate and volatility of the underlying stock;

- Provisions - Judgment is required to assess the likelihood of an outflow of the economic benefits to settle contingencies, such as litigations, which may require a liability to be recognized. Significant judgments include assessing estimates of future cash flows and the probability of the occurrence of future events;

- Valuation of deferred income tax assets and liabilities - A deferred tax asset is recognized for unused losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Detailed estimates are required in evaluating the probability that deferred tax assets will be utilized. The Company's assessment is based on existing tax laws, estimates of future profitability, and tax planning strategies; and

2. Significant accounting policies (continued):

- Purchase price allocation - Upon purchase of another business from a third party the Company reviews the purchase price paid for the shares or assets acquired. The Company calculates a reasonable fair value of assets and liabilities acquired using IFRS guidelines and reasonable industry estimates.

(p) Cash and cash equivalents:

Cash and cash equivalents is defined as cash and short-term investments having an original maturity of three months or less.

(q) Loss per share:

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding and for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees.

(r) Segment reporting:

A business segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer ("CEO"), being the chief operating decision marker (“CODM”), to make decisions about the allocation of resources and to assess their performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's corporate office), head office expenses, personnel costs, depreciation and amortization, finance income and finance costs, net, other income and income tax expenses.

2. Significant accounting policies (continued):

(s) Recent accounting pronouncements:

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the IASB and become applicable at a future date. The standards impacted that may be applicable to the Company are as follows:

(i) IFRS 15, Revenue from Contracts with Customers:

In May 2014, the IASB issued this standard which provides a single, principles-base five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. This standard is effective January 1, 2018 and allow early adoption. The Company does not intend to adopt this standard early and are currently evaluating the anticipated impact of adopting this standard on the consolidated financial statements.

(ii) IFRS 9, Financial Instruments:

In July 2014, the IASB issued this standard which replaces IAS 39, Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018, and allows earlier adoption. The standard introduces a new model for the classification and measurement of financial assets, a single expected credit loss model for the measurement of the impairment of financial assets, and a new model for hedge accounting that is aligned with a company's risk management activities. The Company does not intend to adopt this standard early and is currently evaluating the anticipated impact of adopting this standard on the consolidated financial statements.

(iii) IFRS 16, Leases:

In January 2016, the IASB issued this standard, which brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases and requires all leases, including operating and financing to be reported on a company's balance sheet. IFRS 16 supersedes IAS 17, Leases, and related interpretations and is effective for periods beginning on or after January 1, 2019, which earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Company does not intend to adopt this standard early and is currently evaluating the anticipated impact on adopting this standard on the consolidated financial statements.

3. Business acquisition:

On February 28, 2014, the Company completed the acquisition of G3 Telecom Corp. and its group of affiliated companies ("G3 Telecom").

G3 Telecom was a facilities-based reseller of telecommunication services in Canada, and is registered with the Canadian Radio-television Telecommunications Commission and the Federal Communications Commission ("FCC") in the United States. In accordance with the terms of the Agreement, the Company acquired G3 Telecom's wireless telecommunications licenses for Huntsville, Ontario, and Dawson Creek, British Columbia, as well as its telecommunications businesses in the U.S. and the Philippines.

The aggregate purchase price of the acquisition was $4,460,000, payable $2,000,000 in cash on the date of closing, subject to working capital adjustments at the date of closing, $1,500,000 over 24 months from the date of closing by way of a secured promissory note bearing interest at 5% per annum and the issuance of 8,000,000 common shares of the Company at a fair value of $0.12 per common share.

The net working capital adjustment was determined to be $349,000 which resulted in a net payment of $4,111,000. The purchase agreement (the "Agreement") also provided for the cancellation of 5,000,000 common shares issued to the vendors in the event that the FCC failed to approve the transfer consents of G3 Telecom's U.S. subsidiary to the Company's control. The Company consolidated G3 Telecom's U.S. subsidiary as of March 1, 2014 because the Agreement noted that Telehop would receive the economic benefits of the business until the FCC licenses were transferred. The FCC licences were successfully transferred to the Company and the shares held in trust were released from escrow.

The acquisition has been accounted for using the acquisition method under IFRS 3, Business Combinations, with the results of operations included in the consolidated financial statements from the date of the acquisition.

3. Business acquisition (continued):

The Company completed a valuation model considering the synergies of the businesses, the continued revenues from the business and potential opportunities for growth to value the customer lists and trademarks. Based on the closing date of February 28, 2014 the following summarizes the purchase consideration, the goodwill and net assets acquired in the transaction:

Assets acquire:	
Cash	$ 893,558
Accounts receivable	676,297
Property and equipment	985,000
Wireless spectrum licenses	1,000,000
Customer lists	570,000
FCC licenses	50,000
Trademarks	750,000
	4,924,855
Liabilities assumed:	
Accounts payable	930,914
Deferred revenue	967,941
Deferred income taxes	355,000
	2,253,855
Goodwill	1,440,000
Total consideration	$ 4,111,000

As of November 19, 2015 the Company had entered into a purchase agreement to sell a non-strategically essential wireless spectrum license to a third party wireless carrier. The transaction is pending Industry Canada regulatory approval.

The goodwill recognized in connection with this acquisition is primarily attributable to the synergies with the Company's existing business and other intangibles that do not qualify for separate recognition including assembled workforce.

3. Business acquisition (continued):

(a) Pro-forma disclosure:

The G3 Telecom acquisition contributed revenue and net loss of $9,214,014 and $683,861, respectively, during the year ended December 31, 2014. If the acquisition had occurred on January 1, 2014, management estimates that consolidated revenue would have been $18,966,000 and consolidated net loss for the year ended December 31, 2014 would have been $646,000 as compared to the amounts reported in the consolidated statement of operations and comprehensive income for the same period. In determine these amounts, management has assumed that the fair values of the net assets acquired that were the acquisitions had occurred on January 1, 2014. The net loss form acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisition had occurred on January 1, 2014.

(b) Tax-deductible goodwill:

Goodwill in the amount of $746,000 is expected to be deductible for income tax purposes.

4. Income taxes:

(a) Income taxes recognized in profit or loss:

	2015	2014
Current tax expense (recovery)	$ (32,470)	$ 135,000
Deferred tax recovery	(112,062)	(183,677)
Total income tax recovery	$ (144,532)	$ (48,677)

4. Income taxes (continued):

(b) Movement in deferred tax balances:

	Balance, January 1, 2015	Recognized in profit or loss	Deferred tax asset	Deferred tax liability
Intangible assets	$ (292,412)	$ 150,985	$ –	$ (141,427)
Goodwill	(10,405)	(7,316)	–	(17,721)
Tax losses	131,494	(81,739)	49,755	–
Others	–	50,132	56,445	(6,313)
	$ (171,323)	$ 112,062	106,200	(165,461)
Set-off			(106,200)	106,200
			$ –	$ (59,261)

(c) Unrecognized deferred income tax asset:

Deferred income tax assets have not been recognized in respect of the following:

	2015	2014
Deductible temporary differences:		
Property and equipment	$ 78,855	$ 136
Intangible assets	75,152	12,558
Tax loss carried forward	784,669	709,202
Other	9,805	–
	$ 948,481	$ 721,896

No deferred tax assets have been recognized as management does not consider it probable that future profits will be available to utilize these assets.

As at December 31, 2015, the Company has income tax losses of a non-capital nature of $3,113,000 (2014 - $3,172,000) available to reduce taxable income in future years, expiring between 2029 and 2035.

4. Income taxes (continued):

(d) Reconciliation of income tax expense (recovery):

The reconciliation of income taxes at Canadian statutory income tax rates to the income tax expense is as follows:

	2015	2014
Loss before income taxes	$ (1,103,677)	$ (508,995)
Approximate applicable statutory tax rate	26.5%	26.5%
Income taxes at statutory tax rates	$ (292,474)	$ (134,884)
Non-deductible expenses and book to return adjustments	(17,488)	45,779
Current year tax losses not recognized	46,538	23,319
Change in other temporary differences not recognized	130,168	23,006
Utilization of previously unrecognized tax losses	(11,276)	(5,897)
Income tax recovery	$ (144,532)	$ (48,677)

5. Cash and cash equivalents:

	2015	2014
Bank balances	$ 712,410	$ 1,767,302

The Company's exposure to interest rate risk for both 2015 and 2014, in respect of cash balances, was not considered significant and is disclosed in note 15.

6. Trade and other receivables:

	2015	2014
Trade receivables	$ 1,511,815	$ 1,692,434
Allowance for doubtful accounts	(92,611)	(81,037)
	1,419,204	1,611,397
Other receivables	–	134,954
	$ 1,419,204	$ 1,746,351

(a) Trade receivables:

The average credit period for receivables is 30 days. Interest and late payment charges are charged thereafter at 2% per month on the outstanding balance.

The Company has credit evaluation, approval and monitoring processes to assess new customers' credit quality that mitigate potential credit risks. Credit limits are imposed on each customer, which are reviewed annually.

(b) Allowance for doubtful accounts:

The Company has recognized an allowance for doubtful accounts of 100% against receivables over 90 days except for certain accounts that are deemed collectible or have been collected subsequent to period end. Allowance for doubtful accounts is also recognized against current and under 90 days receivables based on account status at the end of the reporting period. The concentration of credit risk is limited due to the large and unrelated customer base serviced by the Company. Refer to note 15.

	2015	2014
Current	$ –	$ –
Past due 0 - 30 days	–	–
Past due 31 - 60 days	–	–
Past due 61 - 90 days	–	–
Past due more than 90 days	92,611	81,037
	$ 92,611	$ 81,037

7. Note receivable:

	2015	2014
Note receivable	$ –	$ 127,071

As part of the G3 Telecom purchase (note 3), the Company acquired a redundant switch that was not required for operating the business. The estimated fair value of the asset was $190,000 and was subsequently sold on June 1, 2014 for that price. The purchaser paid $20,000 in cash and the Company received a $170,000 note receivable at 10% interest with fifteen monthly payments from June 1, 2014 to August 1, 2015. As of June 30, 2015, the purchaser made an early payment to clear the outstanding balance.

8. Property and equipment:

	Switch equipment	Telecom equipment	Furniture and fixtures	Computer and customer equipment	Leasehold improvements	Total
Cost						
Balance, December 31, 2013	$ 476,524	$ 970,821	$ 110,680	$ 308,323	$ 80,382	$ 1,946,730
Additions	655,000	103,856	51,109	125,508	37,280	972,753
Dispositions	(190,000)	–	–	–	–	(190,000)
Balance, December 31, 2014	941,524	1,074,677	161,789	433,831	117,662	2,729,483
Additions	–	1,875	–	21,159	–	23,034
Dispositions	–	(440,143)	(40,274)	–	(80,382)	(560,799)
Balance, December 31, 2015	$ 941,524	$ 636,409	$ 121,515	$ 454,990	$ 37,280	$ 2,191,718
Accumulated depreciation						
Balance, December 31, 2013	$ 107,230	$ 925,111	$ 97,323	$ 271,977	$ 80,382	$ 1,482,023
Depreciation	86,390	70,057	16,933	30,913	6,212	210,505
Balance, December 31, 2014	193,620	995,168	114,256	302,890	86,594	1,692,528
Depreciation	90,181	34,061	15,542	93,943	7,456	241,183
Dispositions	–	(440,142)	(40,274)	–	(80,382)	(560,798)
Balance, December 31, 2015	$ 283,801	$ 589,087	$ 89,524	$ 396,833	$ 13,668	$ 1,372,913
Carrying amount						
December 31, 2014	$ 747,904	$ 79,508	$ 47,533	$ 130,941	$ 31,068	$ 1,036,955
December 31, 2015	657,723	47,322	31,991	58,157	23,612	818,805

9. Intangible assets and goodwill:

		Intangible assets						
	Goodwill	Wireless spectrum licenses	Trademarks	FCC licenses and registration	Customer lists	Website development	Software	Total
Cost								
Balance, December 31, 2013	$ –	$ –	$ –	$ –	$ 200,000	$ 30,101	$ 358,024	$ 588,125
Additions	1,440,000	1,000,000	750,000	50,000	1,065,000	–	32,756	4,337,756
Balance, December 31, 2014	1,440,000	1,000,000	750,000	50,000	1,265,000	30,101	390,780	4,925,881
Additions	–	–	–	–	–	–	4,719	4,719
Adjustment due to earnout	–	–	–	–	(100,000)	–	–	(100,000)
Balance, December 31, 2015	$ 1,440,000	$ 1,000,000	$ 750,000	$ 50,000	$ 1,165,000	$ 30,101	$ 395,499	$ 4,830,600
Accumulated amortization								
Balance, December 31, 2013	$ –	$ –	$ –	$ –	$ 50,000	$ 28,267	$ 322,574	$ 400,841
Amortization	–	–	–	–	335,000	550	11,942	347,492
Balance, December 31, 2014	–	–	–	–	385,000	28,817	334,516	748,333
Amortization	–	–	–	–	421,667	1,284	24,486	447,437
Impairment charge	72,000	–	37,500	–	131,000	–	5,000	245,500
Balance, December 31, 2015	$ 72,000	$ –	$ 37,500	$ –	$ 937,667	$ 30,101	$ 364,002	$ 1,441,270
Carrying amount								
December 31, 2014	$ 1,440,000	$ 1,000,000	$ 750,000	$ 50,000	$ 880,000	$ 1,284	$ 56,264	$ 4,177,548
December 31, 2015	1,368,000	1,000,000	712,500	50,000	227,333	–	31,497	3,389,330

9. Intangible assets and goodwill (continued):

Impairment testing:

The carrying value of goodwill and indefinite intangible assets at December 31, 2015, prior to impairment and the method for determining the recoverable amount including certain key assumptions as follows:

CGU	Carrying value of goodwill	Carrying value of indefinite life intangible assets	Recoverable method	Periods used (years)	Terminal growth rates (%)	Pre-tax discount rates (%)
Retail	$ 1,368,000	$ 762,500	Value in use	5	2	22.5
Wireless	72,000	1,037,500	Value in use	5	2	17.0

For the purposes of impairment testing, the Company allocates its goodwill to the CGU which is the smallest identifiable groups of assets that generate cash inflows from continuous use and that are largely independent of the cash inflows of other assets or groups of assets. The carrying value of goodwill is attributable to the operations acquired from G3 Telecom (note 3), which was allocated to two separate CGUs, being wireless and retail long distance.

The Company tested CGUs with allocated goodwill and indefinite life intangible assets for impairment as at December 31, 2015. When assessing whether or not there is impairment, the recoverable amount of the CGUs is determined based on value-in-use calculation. Key estimates and assumptions include:

(a) Discounting estimated future cash flows over a period of 5 years to their present value, along with a terminal value;

(b) The future cash flows are based on estimates and expected future operating results of the CGU after considering future business plans, economic conditions and a general outlook for the industry in which the CGU operates;

(c) The discount rates used consider market rates of return, debt to equity ratios and certain risk premiums, among other things; and

(d) The terminal value is the value attributed to the CGU's operations used to determine recoverable amounts.

9. Intangible assets and goodwill (continued):

These assumptions are subjective judgments and estimates based on the Company's experience and knowledge of the economic environment in which it operates. It is possible that, if future cash flow projections, long-term growth rates or pre-tax discount rates are different to those used, the outcome of future impairment tests could result in a different outcome with a CGU's goodwill being impaired. The impairment loss was allocated to customer lists, trademarks, goodwill and software. Any adverse movement in a key assumption would lead to further impairment.

Impairment charge:

At December 31, 2015, the recoverable amount of the Wireless CGU was determined to be $368,500 as compared to the carrying value of $614,000. As a result, for the year ended December 31, 2015, the Company recorded an impairment charge of $245,500 (2014 - nil) against the carrying value of the allocated goodwill and indefinite life intangible assets of the Wireless CGU.

The impairment charge was determined on the Wireless CGU due to the discontinuance of a major roaming wireless agreement in late 2015. At this time the Company has projected that sales will not reach expected pre-acquisition levels until a new roaming agreement is entered into. The recoverable amount of the Retail Long Distance was not impaired as the Company found synergies between consolidating Telehop operations and the G3 business line (note 3) which created a merged entity with sustained value.

10. Notes and debentures payable:

(a) Notes payable

On April 1, 2013, the Company completed an asset purchase with G3 Telecom, under which the Company acquired G3 Telecom's business services customer lists. The purchase price of $200,000 included a cash portion of $80,000 paid immediately and a note payable of $120,000, repayable over eighteen months at an annual interest rate of 5%. The Company made principal payments on the note payable of $69,170 during fiscal 2013 and the balance of $50,830 in fiscal 2014. The note payable obligation was completed as of October 1, 2014.

10. Notes and debentures payable (continued):

On February 28, 2014, the Company completed an asset and share purchase with G3 Telecom under which the Company acquired the remainder of G3 Telecom's business (note 3). As part of the purchase consideration of $4,111,000, the Company entered into a note payable of $1,500,000 to the vendor, repayable over twenty four months at an annual interest rate of 5% with principal payments made quarterly, starting April 1, 2014. The Company made principal payments on the note payable of $750,000 during 2015 (2014 - $750,000) and the note payable obligation was completed as of December 31, 2015.

On May 1, 2014, the Company acquired the customer lists of iRoam Mobile Solutions Inc., a Canadian company that operates under the iRoam and Brightroam brands in the United States and Canada. The purchase price of the assets was $400,000 which may be reduced if revenues in the first 12 months following the purchase are less than $1,000,000, and if revenues in the first 12 months following May 1, 2015 exceed $1,200,000 the purchase price will increase by $100,000. On closing, $170,000 of the price was paid and the balance of $330,000 by way of a promissory note which will be subject to the price adjustments noted above. The Company recorded an additional $100,000 in consideration as management believed it was probable that the amount will be paid to the seller. As of December 31, 2015 the first $100,000 liability was paid due to the $1,000,000 in sales for the first year milestone being achieved. An additional $100,000 payment will be required on May 1, 2016 if the milestone of $1,200,000 in gross sales during the previous one year period is achieved. The Company does not expect to meet the minimum sales milestone as of December 31, 2015, therefore has adjusted the note payable and intangible asset carrying value by $100,000 respectively.

(b) Debentures:

In connection with the G3 Telecom transaction (note 3), the Company completed a concurrent private placement of $3,000,000 of unsecured, five-year debentures. The debentures will mature five years from the date of closing of the offering of February 28, 2014 and bear interest at a rate of 10% per annum, payable semi-annually in cash on June 30 and December 31 in each year, commencing on June 30, 2014, with the final payment due on the maturity date.

10. Notes and debentures payable (continued):

Each debenture was priced at a 2% discount, namely at $980 per $1,000 of the principal amount thereof. On and after June 30, 2016, and at any time prior to the maturity date, the debentures are redeemable at the option of the Company at a price equal to $1,000 per debenture plus accrued and unpaid interest thereon up to but excluding the date of redemption. The Company engaged Jones, Gable & Company Ltd. ("Jones Gable") to act as finder in connection with the offering and paid Jones Gable a $195,000 fee equal to 6.5% of the gross proceeds raised from the sale of the debentures.

Total transaction costs including the discount related to the debenture offering were $286,375 and were recorded as an offset to the carrying value of the debentures. During the twelve month period ended December 31, 2015, the Company recorded $57,275 (2014 - $47,729) of amortization of these transaction costs in finance costs.

11. Capital and other components of equity:

(a) Share capital:

The Company is authorized to issue an unlimited number of common shares. The numbers of outstanding common shares are as follows:

	2015		2014	
	Number of shares	Amount	Number of shares	Amount
Shares issued and outstanding, beginning of year	32,272,083	$ 3,279,265	24,272,083	$ 2,319,265
Issued for consideration of the G3 Telecom acquisition (note 3)	–		8,000,000	960,000
Shares issued and outstanding, end of year	32,272,083	$ 3,279,265	32,272,083	$ 3,279,265

11. Capital and other components of equity (continued):

The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

(b) Issuance of common shares:

On February 28, 2014 the Company completed the acquisition of G3 Telecom (note 3) and as part of the acquisition issued 8,000,000 common shares of the Company at a value of $0.12 per common share, for a total of $960,000.

On July 26, 2012 the Company completed a private placement for gross proceeds of $750,000 through the issuance of 7,500,000 units (each, a "Unit" and collectively, the "Units") at a price of $0.10 per Unit, where each Unit consists of one common share and one-half of one common share purchase warrant ("Warrant") (note 11 (e)). Net proceeds of the capital raised were $653,024, of which $467,399 was allocated to share capital and $185,625 was allocated to Warrants.

(c) Issuance of share options:

As at December 31, 2015, directors and senior employees held 2,252,875 (2014 - 2,352,875) options of the Company, with variable expiration dates from 2015 to 2020. Share options granted under the Company's Employee Share Option Plan carry no rights to dividends and no voting rights.

(d) Options reserve:

	2015	2014
Balance, beginning of year	$ 343,886	$ 286,213
Stock-based compensation expense	29,149	57,673
Balance, end of year	$ 373,035	$ 343,886

The options reserve comprises the impact of stock option expense and net of the impact of any related exercises.

11. Capital and other components of equity (continued):

(e) Warrants:

In connection with the private placement on July 26, 2012, the Company issued 4,218,750 warrants, consisting of:

- 3,750,000 warrants issued to subscribers to the private placement. Each Warrant entitles the holder to purchase one common share over a two-year period (subject to acceleration in the event that the closing price of the Company's common shares on the TSX Venture Exchange, for a period of 10 consecutive trading days, exceeds $0.25 per common share) at a price of $0.15 per common share. On May 30, 2014 the Company filed an application with the TSX Venture Exchange to extend the expiry date that were set to expire July 24, 2014. Effective May 30, 2014, the warrants were extended to January 31, 2015 and effective January 14, 2015, the warrants were extended to January 31, 2016. These warrants expired unexercised on February 1, 2016.

- 468,750 warrants issued to a third party as a finder's fee for the private placement. Each Warrant entitles the holder to purchase one common share over a one-year period (subject to acceleration in the event that the closing price of the Company's common shares on the TSX Venture Exchange, for a period of ten consecutive trading days, exceeds $0.25 per common share) at a price of $0.15 per common share. These warrants expired unexercised on July 26, 2013.

The pro-rata fair value of the 4,218,750 warrants issued was determined to be $185,625, using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected volatility	146%
Expected life	2 years
Dividend yield	–
Risk-free interest rate	1.10%

12. Loss per share:

	2015	2014
Loss for the year	$ (959,145)	$ (460,318)
Basic and diluted - loss per share	$ (0.030)	$ (0.015)

The weighted average number of common shares used in the calculation of basic and diluted earnings per share is as follows:

	2015	2014
Shares outstanding, beginning of year	32,272,083	24,272,083
Effect of shares issued in February 2014 related to G3 Telecom acquisition (note 3)	–	6,666,667
Weighted average number of shares, end of year	32,272,083	30,938,750

At December 31, 2015 and 2014, there is no effect of potentially dilutive securities. All warrants and outstanding stock options were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive. If applicable, the average market value of the Company's shares for purposes of calculating the dilutive effect of share options would be based on quoted market prices for the period during which the options were outstanding.

13. Share-based payment transactions:

Employee Share Option Plan of the Company:

The Company has a share option plan (the "2005 Plan") for directors, officers, employees and consultants under written contract of the Company and its subsidiaries, as approved by the shareholders of the Company.

In 2011, the Company adopted a new 10% rolling Incentive Stock Option Plan (the "2011 Plan"), which replaced the fixed 2005 Plan where only a maximum of 1,800,000 options could be granted. Under the 2011 Plan, the aggregate number of optioned shares that may be issued will not exceed 10% of the number of issued and outstanding shares of the company at the time of the granting of options.

13. Share-based payment transactions (continued):

As at December 31, 2015, there are 2,252,875 options outstanding and the Company can issue 974,333 additional options under the 2011 Plan.

Each employee share option converts into one ordinary common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Board of Directors administers the granting of all options under the 2011 Plan and 2005 Plan and has the discretion to prescribe vesting restrictions for options granted.

The following share-based payment arrangements were outstanding at December 31, 2015:

Option series	Number of options	Grant date	Expiry date	Exercise price	Per option fair value at grant date
1	98,500	January 31, 2011	January 31, 2016	$ 0.10	$ 0.08
2	100,000	April 11, 2011	April 11, 2016	0.20	0.18
3	201,500	May 27, 2011	May 27, 2016	0.10	0.09
4	500,000	January 1, 2012	January 1, 2017	0.10	0.07
5	223,875	March 21, 2012	March 21, 2017	0.10	0.07
6	125,000	August 27, 2012	August 27, 2017	0.12	0.11
7	160,000	April 4, 2013	April 4, 2018	0.10	0.10
8	300,000	February 27, 2014	February 27, 2019	0.12	0.10
9	194,000	September 30, 2014	September 30, 2019	0.15	0.11
10	150,000	November 25, 2014	November 25, 2019	0.15	0.11
11	150,000	April 24, 2015	April 15, 2020	0.15	0.07
12	50,000	May 29, 2015	May 29, 2020	0.10	0.05
Total	2,252,875				

Options granted vest over a period not to exceed five years and expire 90 days after a recipient ceases to qualify as a director, officer, employee or consultant under written contract. All stock options granted have an exercise price equal to the higher of the fair market value of the common shares at grant date and $0.10.

13. Share-based payment transactions (continued):

The fair value of share options granted were priced using the Black Scholes option pricing model. Expected volatility is based on the historical share price volatility over the past five years. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

Option series	1	2	3	4	5	6	7	8	9	10	11	12
Grant date share price	$0.09	$0.20	$0.08	$0.08	$0.08	$0.12	$0.08	$0.12	$0.14	$0.14	$0.10	$0.09
Exercise price	$0.10	$0.20	$0.10	$0.10	$0.10	$0.12	$0.10	$0.12	$0.15	$0.15	$0.15	$0.10
Expected volatility	125%	122%	124%	127%	147%	147%	151%	114%	110%	109%	103%	82%
Expected life	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Dividend yield	–	–	–	–	–	–	–	–	–	–	–	–
Risk-free interest rate	2.5%	2.5%	2.5%	2.5%	1.5%	1.5%	1.5%	1.6%	1.6%	1.5%	0.9%	0.9%

The following table presents information concerning stock options movement under the Plan:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	2,352,875	$ 0.123	2,008,875	$ 0.122
Granted	200,000	0.138	745,500	0.134
Cancelled	(300,000)	0.170	(401,500)	0.134
Options outstanding, end of year	2,252,875	0.119	2,352,875	0.123
Options exercisable, end of year	1,938,208	$ 0.116	1,870,208	$ 0.121

13. Share-based payment transactions (continued):

The following table summarizes information regarding stock options outstanding as at December 31, 2015:

	Options outstanding		Options exercisable	
Exercise price	Number of options	Weighted average life in years	Number of options	Weighted average exercise price
$0.10	1,233,875	1.12	1,200,542	$ 0.10
$0.12	425,000	1.87	358,333	0.12
$0.15	494,000	3.96	279,333	0.15
$0.20	100,000	0.28	100,000	0.20
	2,252,875	1.85	1,938,208	0.12

14. Accounts payable and accrued liabilities:

	2015	2014
Trade payables and accruals	$ 1,336,987	$ 2,207,617
Personnel related accruals	46,804	172,917
Accruals related to contract settlement (note 16)	250,000	–
Other	115,005	61,609
	$ 1,748,796	$ 2,442,143

15. Financial risk management:

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

15. Financial risk management (continued):

Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(a) Credit risk:

Trade and other receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

A credit policy is established under which each new customer is analyzed individually or in groups for creditworthiness and given appropriate credit limits. The Company's review includes agent review, external ratings when available, and in some cases, bank references. Credit limits are established for each customer and these limits are reviewed on an ongoing basis. Customers that fail to meet the Company's creditworthiness benchmark may transact with the Company only on a prepayment basis. Trade and other receivables relate mainly to the Company's retail customers.

The Company establishes an allowance for doubtful accounts that represents its estimate of uncollectible accounts in respect of trade and other receivables. The allowance for doubtful accounts is used to record potential impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at which point the amounts are written off against the financial asset directly. The Company makes significant estimates pertaining to allowance for doubtful accounts.

15. Financial risk management (continued):

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date:

	2015	2014
Cash and cash equivalents	$ 712,410	$ 1,767,302
Trade and other receivables before allowance	1,511,815	1,827,388
	$ 2,224,225	$ 3,594,690

Credit risk associated with cash and cash equivalents are minimized significantly by ensuring that these financial instruments are placed with major financial institutions. Credit risk associated with trade and other receivables is mitigated by the Company's large and unrelated customer base and the application of its credit evaluation, control and monitoring processes.

Allowance for doubtful accounts:

The Company maintains an allowance for doubtful accounts that is assessed on an ongoing basis. The aging of accounts receivable and the related allowance at the reporting date was as follows:

	Trade and other receivables		Allowance for doubtful accounts	
	2015	2014	2015	2014
Current	$ 1,012,005	$ 1,595,040	$ –	$ –
Past due greater than 30 days	133,710	97,746	–	–
Past due greater than 60 days	57,123	35,316	–	–
Past due greater than 90 days	308,977	99,286	92,611	81,037
	$ 1,511,815	$ 1,827,388	$ 92,611	$ 81,037

15. Financial risk management (continued):

The movement in the allowance for doubtful accounts during the year in respect to trade receivables was as follows:

	2015	2014
Balance, beginning of year	$ 81,037	$ 75,556
Provision for new bad debts	58,041	40,187
Accounts written off	(46,467)	(34,706)
Balance, end of year	$ 92,611	$ 81,037

(b) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and working capital levels. The following are the contractual maturities of financial liabilities, including estimated interest payments:

2015	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	More than 1 year
Accounts payable and accrued liabilities	$ 1,748,796	$ 1,748,796	$ 1,748,796	$ –	$ –
Provisions	7,000	7,000	7,000	–	–
Finance leases	18,927	18,927	2,629	2,726	13,572
Debentures	2,818,630	3,000,000	–	–	3,000,000
	$ 4,593,353	$ 4,774,723	$ 1,758,425	$ 2,678	$ 3,013,572

2014	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	More than 1 year
Accounts payable and accrued liabilities	$ 2,442,143	$ 2,442,143	$ 2,442,143	$ –	$ –
Provisions	13,988	13,988	13,988	–	–
Note payable	955,596	955,596	480,596	375,000	100,000
Finance leases	14,223	14,223	4,254	4,254	5,715
Debentures	2,761,354	3,000,000	–	–	3,000,000
	$ 6,187,304	$ 6,425,950	$ 2,940,981	$ 379,254	$ 3,105,715

15. Financial risk management (continued):

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. The Company does not currently believe it will encounter difficulty in meeting its obligations associated with its financial liabilities.

(c) Market risk:

(i) Currency risk:

The Company's functional currency is the Canadian dollar, but it regularly transacts in U.S. dollars for a portion of its business activities. The value of financial instruments or cash flows associated with the instruments denominated in U.S. dollars will be affected by changes in the exchange rate fluctuations in the market between the Canadian and U.S. dollar.

On occasion, the Company utilizes a hedging program to mitigate a portion of its currency risks. As at December 31, 2015, the Company does not hold any derivative instrument or cash flow hedges.

A sensitivity analysis of the Canadian dollar against the U.S. dollar was performed as at December 31 of each year based on the Company's currency risk exposure. The results of the sensitivity analysis resulting in an increase or decrease on the Company's profit or loss and equity was not considered significant.

(ii) Interest rate risk:

The Company's primary interest rate risk consists of interest rate fluctuations, which may affect the Company's note and lease obligations. The Company does not currently use derivative instruments to limit interest rate risks.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured from the prior year.

15. Financial risk management (continued):

(d) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;

15. Financial risk management (continued):

- training and professional development;

- ethical and business standards; and

- risk mitigation, including insurance when this is effective.

Compliance with Company standards is supported by a program of periodic reviews undertaken by senior management. The results are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee.

Fair value of financial instruments:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies. The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, Financial Instruments - Disclosures.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;

- Level 2 - inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 - unobservable inputs for the asset or liability which are supported by little or no market activity.

The fair values of short-term financial assets and liabilities, including trade and other receivables, note receivable, and accounts payable and accrued liabilities as presented in the consolidated statements of financial position, approximate their carrying amounts due to their short term maturities. The fair value of finance leases, debentures and note payable approximates their carrying value because management believes the interest rates approximate the market interest rate for similar debt with similar security. There are no financial assets or liabilities measured using Level 3.

16. Commitments:

The Company has entered into lease agreements for premises expiring at various periods up to 2019. The future minimum annual rental payments on the non-cancellable operating leases are payable as follows:

2016	$ 311,182
2017	106,482
2018	81,555
2019	14,088

The Company leases its corporate office that expires in March 2017. During the year ended December 31, 2015, the Company recognized $150,000 as an expense in profit or loss as part of general and administrative cost in respect to this operating lease (2014 - $226,496).

In December 2011, the Company entered into an operating lease for its switch facility that includes hosting and connectivity service, which expired in October 2015. During the year ended December 31, 2015, the Company recognized $91,200 as the expense in profit or loss as part of telecommunication costs in respect to the operating lease for the switch facility (2014 - $64,200). The Company also assumed additional switch facility space as part of the acquisition of G3 Telecom (note 3). The term for this leased space is from March 2014 to February 2019. The Company recognized $141,655 in expense for the twelve months ended December 31, 2015 (2014 - $111,813).

Carrier billing services agreement:

During the year ended December 31, 2012, the Company entered into a carrier billing services agreement with a major national telecommunications provider (the "Telco") to create a long-distance dial-around service for wireless customers of that Telco. Under the terms of the agreement, which has a term of five years and ends on December 31, 2017, the Company is required to pay a Carrier Billing Processing Fee to the Telco that is calculated based on a fixed percentage of the amount of gross billings received by the Company for use of the service. Under the terms of the agreement, the Company has committed to remitting a minimum amount of Carrier Billing Processing Fees to the Telco based on revenue earned under the service by the Company of a fixed percentage of $7,000,000 through the first two years of the agreement, and an aggregate of a fixed percentage of $25,000,000 through the entire five-year term of the agreement.

16. Commitments (continued):

To the extent that the minimum Carrier Billing Processing Fees are not paid to the Telco by the second and fifth anniversary dates, the Telco may require the Company to remit the shortfall on demand. As of December 31, 2015, there is a shortfall of $6,568,920 to the obligation for the initial two year term, of which 35% totaling $2,299,122 is owed by the Company to the Telco (the “Shortfall Charge”). The Company and the Telco commenced negotiations to amend the terms of the agreement and subsequent to year end have agreed to a settlement. The Telco has agreed to release the Company from any Shortfall Charge in exchange for the transfer of certain wireless spectrum from the Company to the Telco. The transfer of the wireless spectrum is subject to regulatory approval. In the event that the wireless spectrum transfer is not approved by the regulatory authorities, the Shortfall Charge would continue to be an outstanding obligation of the Company.

The Company has recorded a charge and related liability of $250,000 at and for the year ended December 31, 2015, which is equal to the carrying value of the wireless spectrum to be transferred to the Telco. This amount represents the consideration the Company will transfer to the Telco in in exchange for the release from the Shortfall Charge related to the carrier billing service agreement.

17. Obligations under finance lease:

The following obligations under finance lease exist during the current and prior years:

	Interest rate	Expiration	Carrying amount 2015	Carrying amount 2014
Mailing machine	5.50%	2019	$ 18,927	$ 9,839
Copier	5.50%	2018	–	4,384

17. Obligations under finance lease (continued):

	2015	2014
Total minimum lease payments	$ 20,758	$ 14,753
Less amount representing imputed interest	1,831	530
Present value of obligations under finance lease	18,927	14,223
Less current portion	5,355	8,508
	$ 13,572	$ 5,715

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' equity, which consists of issued capital, warrants, reserves 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.

There were no changes in the Company's approach to capital management during the year.

19. Contingencies:

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse effect on the Company's financial condition or results of operations.

20. Operating segments:

The Company has two reportable segments based on the customers it serves, retail and wireless sales. These strategic business units are managed separately and require different marketing and selling strategies. All assets of the business supporting these business units are located in Canada.

The following summary describes the operations in each of the Company's reportable segments:

- Retail - includes casual calling, subscriptions, home phone, business phone, internet services and prepaid calling cards services, including bulk minutes to resellers.

- Wireless - includes sales to customers for long distance roaming Subscriber Identification Modules (SIMs), machine-to-machine, data services, and third party solutions

Segments were amended in 2015 as the previously disclosed Wholesale segment has been aggregated with the Retail segment due to a change in how the CODM assesses performance and allocates resources. The prior period has been adjusted to reflect this change.

(a) Segment revenue and results for the year ending December 31:

	Segment revenue		Segment profit	
	2015	2014	2015	2014
Retail	$ 14,537,630	$ 14,618,528	$ 5,365,220	$ 5,653,594
Wireless	3,347,873	2,495,142	1,339,149	1,010,629
	$ 17,885,503	$ 17,113,670	6,704,369	6,664,223
Operating expenses			(7,430,479)	(6,859,056)
Other expenses, net			(377,567)	(314,162)
Loss before income taxes			$ (1,103,677)	$ (508,995)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2014 - nil).

20. Operating segments (continued):

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 2. Segment profit represents the profit earned by each segment after telecommunication costs, both fixed and variable, without allocation of operating expenses, depreciation and amortization, acquisition transaction costs, impairment charges, finance costs, other income and income tax expense. This is the measure reported to the CEO for purposes of resource allocation and assessment of segment performance. Segment profit is used to measure performance, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the same industry.

The Company serves a large and unrelated customer base and no single customer contributed 10% or more to the Company's revenue for both 2015 and 2014.

(b) Segment assets and liabilities:

	2015	2014
Segment assets:		
Retail	$ 5,058,834	$ 8,145,561
Wireless	1,861,817	1,427,746
Total segment assets	$ 6,920,651	$ 9,573,307
Segment liabilities:		
Retail	$ 5,312,218	$ 6,567,899
Wireless	690,946	1,157,925
Total segment liabilities	$ 6,003,164	$ 7,725,824

For the purposes of monitoring segment performance and allocating resources between segments, assets used jointly by reportable segments are allocated on the basis of revenue earned by individual reportable segments, and liabilities for which reportable segments are jointly liable are allocated in proportion of segment assets.

21. Acquisition costs:

During the year ending December 31, 2015, the Company incurred transaction costs of $35,970 (2014 - $98,642) with regard to acquisition related activities which have been expensed in the consolidated statements of operations and comprehensive income.

22. Related party transactions and balances:

On February 28, 2014 the Company completed the acquisition of a combination of shares and assets of G3 Telecom (note 3). One of the individuals who had beneficial ownership of G3 Telecom, subsequently joined the Board of Directors of the Company in the first quarter of 2014 and became a related party.

The vendor of G3 Telecom is entitled to 5% of gross wireless sales for thirty-six months after the closing date of February 28, 2014. The royalty is paid quarterly as it is earned. For the twelve month period ending December 31, 2015, the total royalty expense was $142,127 (2014 - $104,688). The Company also had notes payable outstanding to entities connected to the Director. In 2015, the Company paid the balance of the notes payable outstanding of $750,000 (2014 - 750,000) arising from the purchase of G3 Telecom.

The Company paid interest of $23,438 (2014 - $62,109) to the Director in connection with the notes payable during the twelve month period ending December 31, 2015. The Company rents its head office space from a company owned by a Director of the Company and the vendor of G3 Telecom, the rental expense paid in the twelve month period ending December 31, 2015 was $150,000 (2014 - $120,600).

The transactions above are measured at the exchange amount, which is the amount agreed to between the partner.

Key management personnel compensation:

	2015	2014
Wages, salaries and other benefits	$ 373,046	$ 549,182
Canada Pension Plan, employment insurance and other remittances	7,154	10,146
Share-based compensation	21,462	35,515
	$ 401,662	$ 594,843

22. Related party transactions and balances (continued):

In addition to their salaries and allowances, key management personnel also participate in the Company's share option program and short-term health and dental benefits.

Certain executive officers are subject to a mutual term of notice of six months. Upon resignation at the Company's request, they are entitled to certain termination benefits, either cash or a percentage of gross salary.

Directors received compensation for their services as directors of the Company. Additionally, the directors are able to participate in the Company’s share option program. Outside of directors’ fees, certain directors or companies affiliated with these directors also participated in transactions with the Company for consulting and related services and received amounts totaling $66,547 (2014 - $114,713), which is the amount agreed to by the parties.