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Hookflash Inc.

Confidential Information Memorandum 2014

COMPANY

Hookflash Inc. (the “Company”).
3553 31 Street NW, Suite 436
Calgary, AB T2L 2K7 Canada

EXECUTIVE SUMMARY

Hookflash builds Real-Time Communications (RTC) software that provides high quality, ultra-low-cost voice calls, video chat, messaging and media sharing and eliminates the need for the hardware and expense of providing these services through legacy “switch” based networks such as the Public Switched Telephone Network (PSTN). Hookflash software is intended for third party developers, enterprise customers, solution providers and service providers such as telcos and cablecos to integrate into their own applications and service offerings; enhancing communications while dramatically reducing costs.

“The capability to easily integrate real-time communications such as, voice, messaging, and video calling, into any app with just a few lines of code will disrupt how communications services are delivered. We expect the market for Cloud RTC Platforms, which enables this capability, will reach \$4.7 billion USD by 2018. Users will be able to communicate with more context from within an application supporting richer experiences and greater collaboration. Developers in the automotive, mHealth and eBusiness market will be early adoptors and help shape the future of communications.”

Smith’s Point Analytics Report: “Communications as a Feature” February 2014

Hookflash is the original author, creator of “Open Peer” (See Open Peer Whitepaper attached in Appendix), a unique new peer-to-peer (P2P) signaling and identity protocol provided as open source developer tools called SDK’s (software development kits) for Android and iOS mobile platforms and “Object Real-Time Communications” (ORTC) JavaScript libraries for web browsers. Open Peer and ORTC combine with the Hookflash Cloud Service API (Application Programming Interface) providing a complete, highly scalable solution for high quality, secure, voice, video and media sessions at exceptionally low costs. Hookflash API pricing is a “transaction” model, more similar to Google Adwords™ and Amazon Web Services™ than the traditional per minute metered costs of the telecom industry.

“Hookflash is doing for real-time communications what Amazon Web Services has done for Cloud Services. Metered minutes are a thing of the past. The future of Real-Time Communications is in API services and pricing models that scale.”

Trent Johnsen, Hookflash CEO – May 2014

COMPETITIVE ADVANTAGE

Hookflash replaces the cost and complexity of traditional telecom services and requirements for traditional telecom infrastructure, equipment and services with software.

Other examples of companies replacing hardware infrastructure with software include VMware and more recently Nicira. This “virtualization” business model has provided exceptional growth and valuation opportunities for investors.

Hookflash Open Peer™ Software Development Kits are designed to be used by developers, enterprise customers and service providers to integrate and deliver real-time communications as an integrated function of their own software, applications, devices and networks.

The Hookflash software developer toolkits use our own Open Peer™ specification and protocol, which is open and publicly available. However, the Hookflash Cloud Service API technology is currently not open and there is a cost for using it. Open Peer is also interoperable with the newly proposed WebRTC standard and serves as a peer-to-peer (P2P) signaling protocol on the wire, handling the communications and contact / ID management required for endpoints to communicate successfully. Hookflash provides developers and customers a scalable, turn-key solution for creating and managing Internet based real time communications without the need for plugins or installable software.

The Company has developed the Hookflash Cloud Services API to coordinate all information needed to support the Open Peer real time communications platform including the ability to process millions of requests per second.

The Company relies on a combination of, copyright, patent and other related laws and confidentiality provisions to protect, maintain and enforce its proprietary technology and intellectual property rights. The Company currently has several patent applications for the Open Peer specification in the area of Identity Management and secure peer-to-peer (P2P) communication pending with the United States Patent and Trademark Office.

Identity

Hookflash Open Peer™ also brings innovative new design to Internet identity; essentially, how people and businesses find and connect with each other on the Internet. One of the major challenges facing enterprise and corporate marketers today is how to communicate with an increasingly mobile, social, consumer marketplace. A marketplace that continues to fragment into social channels like Facebook™, Twitter™, Instagram™, Snapchat™ and a plethora of others. By enabling the direct integration of instant messaging, voice calling and video chat, Hookflash provides enterprise organizations direct, highly cost effective communications channels with customers and employees.

The majority of people in the industrialized world are now constantly connected to the Internet, over WiFi and mobile data networks, on computers, smart phones, tablets and an increasing variety of devices as as “wearable computing” and “the Internet of Things” continues to evolve. Hookflash has developed unique new technology making it easy for people and businesses to find each other and communicate on the Internet without having to create and maintain private directories.

Most people today maintain multiple identities on the Internet including email addresses, profiles on social networks (LinkedIn, Facebook, Twitter Tumblr), listings in corporate directories, websites and even ten

digit numeric strings, “*phone numbers*”. Ironically, although telephone numbers are largely taken for granted, they are relatively complex and expensive to manage and controlled by telco service providers. In the new world of identity on the Internet, identities are free, easy to create and administrate, and importantly, often controlled by the customer.

Communications today are complex and expensive. A confusing mix of wire-line and mobile, analog and digital, resulting in costly transcoding between traditional phone networks and the Internet, costly infrastructure to purchase, deploy and manage, and multiple phone numbers to track and manage. It's time we ask the question, Why?

We are all constantly connected to a common network, the Internet, on our smartphones, tablets, computers and even our televisions. *Why can't we just connect and communicate?* That is the promise of Open Peer; a new era of open global communications with “open” software anyone and everyone can use to integrate voice, video, messaging and identity into their own software, applications, devices and networks, and simply – connect.

MARKET OPPORTUNITY

“After decades of stagnation the voice landscape is undergoing a seismic shift. Migration is in full swing to richer IP based communication, and Web real-time communication (WebRTC) is expected to significantly disrupt the value chain. CSP's should reassess their strategies to avoid being disenfranchised.”

Gartner, October 2013

“The work that Hookflash is doing positions them at the forefront of WebRTC.”

Microsoft, October 2013

Internet based Over-the-Top” (OTT) voice, video & messaging communications are among the highest growth sectors of the global economy, superseding the \$2 trillion telecom industry

“OTT revenues are forecast to grow from \$59.8 billion in 2012 to US \$166.5 billion in 2016.”

MobileSquared 2012

Kevin Keiller, a globally recognized expert in the areas of collaboration and unified communication, describes a new global network “The Public Collaboration Network”

“A race is on to form a new network that could replace the telephone network”

“Unlike the telephone network, the Public Collaboration Network (PCN) will provide a common connection mechanism regardless of whether the communication is real-time (voice, video, IM, texting, document or desktop sharing) or asynchronous (email, discussion boards, voice mail, calendaring, streaming audio and video). The PCN will also share rich presence and location information to assist in determining the best communication modality to use ahead of the connection attempt.

Most importantly, the PCN will be based on connecting users, not simply connecting devices (which is how telephone networks work--although arguably dialing a mobile phone is more likely to be a connection to the specific user, which I believe is one of the key factors driving mobile device adoption.)

The new PCN won't of course be a brand new physical network, but it will leverage the existing Internet physical connections, especially the increasing number of WIFI hotspots, and it will leverage existing mobile cellular networks as well."

The most significant market opportunity is the ultimate replacement of Public Switched Telephone Networks (PSTN). This is likely closer at hand than most people realize. In the US the major telephone companies are currently working with the Federal Communications Commission (FCC) on plans to sunset the PSTN by 2016. There are compelling practical reasons for this to occur, chief among them, economics.

Perhaps the most compelling competitive advantage is simply described in a recent **OECD** report; "if the price of Internet transit were stated in the form of an equivalent voice minute rate, it would be about \$0.0000008 per minute – or **100,000 times lower** than typical voice rates"

OECD; [The Internet Economy: Generating Innovation and Growth, Oct 2012](#)

One hundred thousand times less expensive. Imagine if there was an effective way to communicate with Internet transit as an alternative to the telephone. There is, and there are already billions of people using this kind of Internet communications. In fact, the adoption of Internet based communications is one of the fastest growing markets in the world. You'll recognize it as Skype, Facebook Messenger, Blackberry Messenger, WhatsApp or a plethora of other services delivering global communications at exceptionally low costs via the Internet. See Figure 2 below:

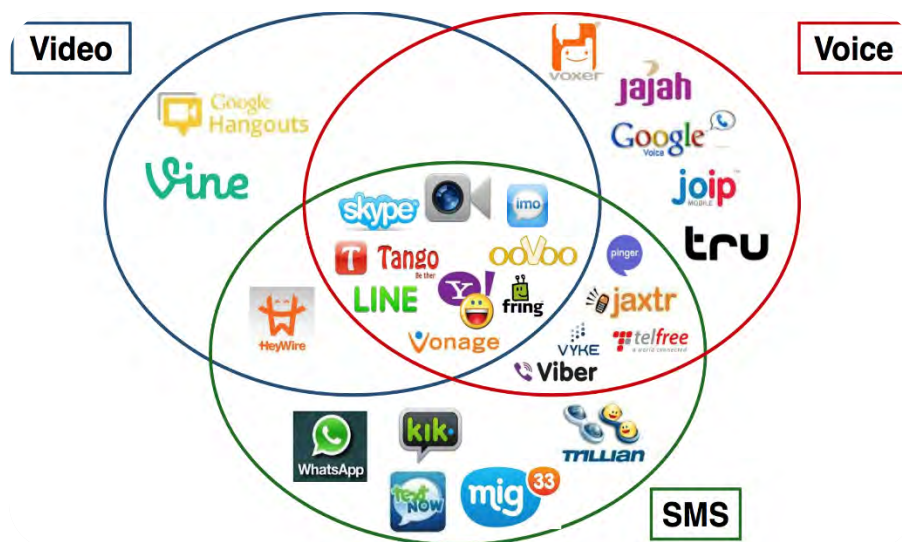


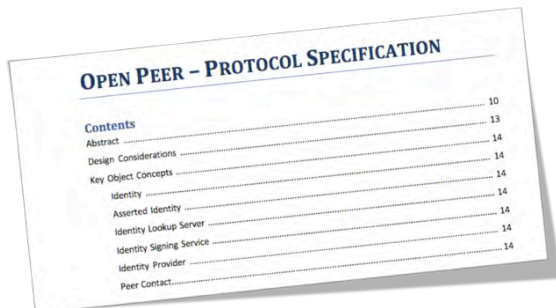
Figure 2: Internet communications are being rapidly adopted by consumers resulting in increasing market fragmentation. Chart from Dean Bubley, Disruptive Analysis. 2013.

BACKGROUND – OPEN PEER, The “Prague Protocol”

In March 2011, in Prague Czechoslovakia, one of the two major governing bodies that manage technical standards for the Internet, the IETF, (International Engineering Task Force) was holding it's semi-annual conference, “IETF80”. Hookflash co-founder Erik Lagerway and Chief Technical Architect, Robin Raymond, were in attendance. As inventors/developers of some of the world's most widely used softphone technology (Xten – now Counterpath) Erik and Robin are recognized industry leaders and have been active in global standards development for over a decade. At IETF80 Erik and Robin participated in a working group formed around a new initiative to make bidirectional media processing and media coding technologies available in every browser in order to integrate voice and video technology natively into web browsers. The working group initiative was named WebRTC, for “*Web-real-time-communications*.” The WebRTC working group likely recognized that defining and agreeing on technical standards to do this would be no small feat and decided to focus very specifically on audio and video functionality *within* the browser. The group explicitly decided *NOT* to define several aspects of how WebRTC would work, including *signaling between the browsers and identity* - how users would *find and connect* with each other via web browsers. The IETF position is that there are pre-existing protocols and technology such as SIP, XMPP, Jingle and HTML, that developers can use. In discussion with colleagues and prospective customers from some of the world's largest technology companies and service providers (perhaps over good Czech pilsner in a Prague Pub) followed by four days of closed door whiteboard sessions with the Hookflash development team in Serbia, the original vision for OPEN PEER was conceived.

A completely new protocol with the following design goals;

- ✓ Open
- ✓ Private / Secure
- ✓ WebRTC "signaling on the wire"
- ✓ Identity Protection
- ✓ Federated Identity
- ✓ Highly cost efficient
- ✓ Network Resilience
- ✓ Scalable



OPEN PEER – PROTOCOL SPECIFICATION	
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Identity Signing Service	14
Identity Provider	14
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OPEN PEER now consists of over 50 man- years of development and 200,000 lines of original code; a completely new protocol with the potential to power the next generation of communications. The initial software platform and technology are largely complete. The Company believes it may have established a material lead over potential alternatives.

Figure 3.0 below compares OPEN PEER to existing protocol alternatives.

	Custom	Javascript	SIP	XMPP	OpenPeer
3 rd Party Supported SDK		✓	✓	✓	✓
X-Domain Federation				✓	✓
Social Identities					✓
Easy Scalability					✓
Mobile SDK's			✓	✓	✓
PSTN Legacy Connectivity			✓	✓	✓
Security Privacy					✓

BUSINESS MODEL

The Hookflash business model combines highly cost-effective customer acquisition economics and scalability of open source software, with the power of micro-transaction pricing (think Google adwords or Amazon Web Services) for the Hookflash Cloud Service API.

1. OPEN PEER - Open software available as Software Development Kits (SDK's) for major mobile platforms and Javascript libraries for the web.



Linux, Google Android, the Apple App store and Twilio are all examples of the rapid scalable growth achieved with an open software platform for developers. OPEN PEER makes it easy for developers to integrate the complex technology required for high quality real-time voice, video and messaging into any other software or applications.

OPEN PEER developer tools are available for developers at the world's most active developer community site: Github: <https://github.com/openpeer/>

The following excerpt from *VisionMobile* provides an overview of the Open model ...

“Open” can mean different things to different people. Standardization and interoperability (a form of openness) were among the key factors that allowed mobile telephony and SMS to scale and achieve ubiquitous cross-carrier capabilities.

As long as telephony and SMS were tightly integrated with telecom networks, interoperability of services between telecom operators meant interoperability of networks. For example, for SMS and MMS to work across operator boundaries, networks of different operators must interoperate at the service layer. The transition to Internet Protocol made services independent of networks and changed this fundamental assumption.

Internet Protocol has become a universal interoperability layer between transport networks, while interoperability at the service layer took on a totally new meaning. For example, Whatsapp™ could displace much of SMS and MMS traffic and achieve huge global reach without the need for interoperability at the service layer between different networks.

Openness is a fundamental characteristic of multi-sided platforms. Such platforms are designed with open APIs to lower barriers to entry and drive acquisition of diverse ranges of partners that produce valuable apps, hardware accessories and other complements to the platform. Successful platforms at the same time are closed (integrated) around core businesses of their owners. In other words, openness – (*OPEN PEER*) is needed to create the ecosystem of complements. Integration or “closed-ness” – (*Hookflash Cloud Service*) is needed to capture value by the ecosystem owners.

For example, Apple is open towards app developers, but very closed around its core business of consumer electronics. Google is open to web developers, but closed around their computing infrastructure and search ranking algorithm. The same holds true for companies like Facebook, Amazon, Netflix, Microsoft, and many other ecosystem owners.



Hookflash is *open* to mobile and web developers and *closed* around our central intellectual property – session management – Hookflash API – required for OPEN PEER and providing identity, peer connections, security, firewall navigation and global network optimization and redundancy.

2. HOOKFLASH CLOUD SERVICE API

Hookflash Cloud Service provides Session Management and Identity - All the elements of complex service delivery required for OPEN PEER at higher quality and lower costs than customers can do for themselves. Delivered in the Cloud, Hookflash Cloud Service scales elastically based on user adoption and provides a secure, reliable and highly available mobile and web Peer-to-Peer (P2P) backend that integrates with other public Cloud services as well as private corporate enterprise systems.

- | | |
|---|--|
| ✓ Identity & Federation (Peer Connection) | Traversal) |
| ✓ Offer/Answer | ✓ Security/Privacy |
| ✓ Data Channel | ✓ Versioning & maintenance |
| ✓ Scalability | ✓ Global Network (Failover, Optimization & Redundancy) |
| ✓ WebRTC enabling | ✓ Support |
| ✓ ICE /STUN /TURN – (Firewall NAT | |



Once an OPEN PEER session is established by Hookflash Cloud Services the media flow of voice, video and messaging is 100% Peer-to-Peer at zero cost to Hookflash.

PRICING

Every developer/customer/partner using the Hookflash mobile and web software development kits require service from the Hookflash Cloud Service API. Pricing for the Hookflash Cloud Service API is designed around two major objectives;

1. Adoption and scalability
 - a. Encourage use by a wide variety of early adopters. There is a “network effect” to broad implementation of the Hookflash SDK’s, as communities connect and communicate, and once developers, enterprise users and service providers build on the platform they are likely to stay and grow.
2. Profitability
 - a. Hookflash pricing provides for an estimated 97% gross operating margin on API transactions.

\$0.001/API call or Push message An API call includes any contact from a Hookflash mobile or web SDK. Examples would include;

- 1st message in a messaging session – once the session is established, subsequent messages are included in the first \$0.001 API call charge
- calling another person for a voice call – one-time \$0.001 to establish the voice call and no metered charges regardless of length of call
- calling another person for video chat - one-time \$0.001 to establish the voice call and no metered charges regardless of length of call
- Push message notification – indicates you have a message or call on Hookflash SDK - \$0.001 per transaction.

Chart below provides examples of potential API revenue by customer segment based on estimated usage. Annual COGS represent Amazon Web Services cost to Hookflash.

Customer Example	Users	Price/User	Annual COGS	Annual Revenue	Gross Margin
Cableco, Carrier,	1,000,000 +	\$2/year	\$0.24	\$2,000,000	\$1,760,000
Enterprise, Application developers	100,000 +	\$5/year	\$0.30	\$500,000	\$470,000
Medium Enterprise & Solution Providers	10,000 +	\$12/year	\$0.30	\$120,000	\$117,000
Free Developer Sandbox for Testing	up to 100	free	\$0.30	-	-

STATUS AND MILESTONES

Market Readiness

Background on initial Open Peer/Test Reference client.

The Company built and deployed an initial reference client based on OPEN PEER in June 2012 – Hookflash for iPad – demonstrating high quality video, voice and messaging and social identity through integration with the world’s largest network of business professionals – LinkedIn. Hookflash for iPad was available as a reference client for OPEN PEER in the Apple App store from June 2012 to April 2014. LinkedIn collaborated with Hookflash to enable the service, announced the service and featured Hookflash in a June 2012 post on the LinkedIn corporate blog:

“Hookflash brings Video Calling to LinkedIn Network”

Hookflash for iPad has received positive reviews. PC Magazine wrote *“Skype for Business done right.”* Respected technology blog GigaOM insightfully wrote; *“It would make sense for LinkedIn to incorporate Hookflash into its own mobile apps and website”*

CUSTOMER APPLICATION EXAMPLES:

Social – Open Peer Reference Client: Hookflash for iPad with LinkedIn Directory & Newsfeed

Demonstrates rich social media integration with LinkedIn, world’s largest business directory using Open Peer Software Development Kit for Apple iOS.



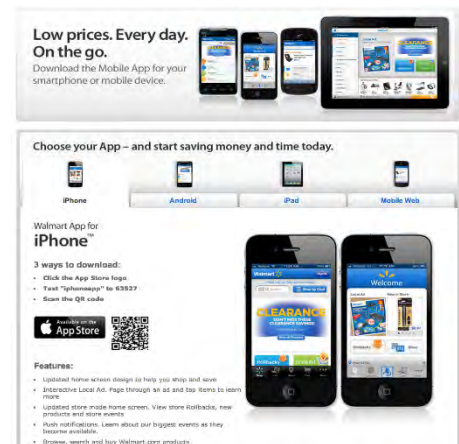
Medical – Physicians Collaborate anywhere with video calling & diagnostic imaging

Hookflash is working with a number of diagnostic imaging software companies on integrating Open Peer into diagnostic imaging (cardiology, X-Ray) for mobile computing devices (tablets and smartphones) and desktop. Medical professionals can collaborate in real-time with video, voice, messaging while viewing diagnostic images and video using secure private directories.



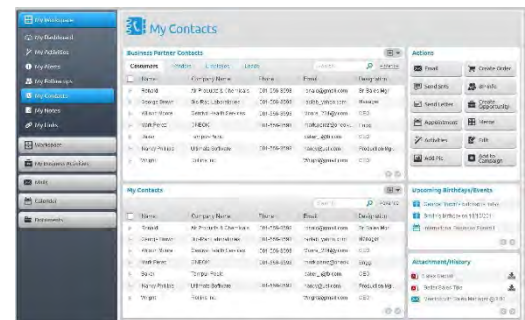
Retail / Social / Mobile – Shopping on the web or in the store, communicate directly with Customer Service or your social network

The explosive growth of mobile commerce has left many brands and retailers wondering how they can take advantage of this market. Retailers can use Open Peer to integrate voice, video chat and messaging into their mobile applications and websites for a small fraction of the cost of the cost of traditional mobile and telecom services.



Productivity – CRM and Salesforce Automation powered with Open Peer software enhance productivity & reduce telecom cost and complexity

Using Open Peer, CRM and Salesforce Automation software developers and vendors can integrate live communications into their own software and applications



Gaming

Open Peer makes it easier than ever for game developers to integrate live voice, instant messaging and even video chat to live virtual multi-player games.



Banking

Need Euros for that last minute trip to Europe? Have a question on one of your banking transactions? Connect instantly with customer service directly from your mobile banking application. Banks can communicate directly and deliver enhanced services at reduced costs integrating live communications services into their mobile and web banking applications.



Public Sector Services

Federal, State and local governments can enhance services and reduce telecom costs integrating real-time communications into mobile and web applications.



Developers and the “App Economy”

Hookflash makes it possible, for the 1st time ever, for application and software developers to quickly and easily integrate high quality, secure, voice, video chat and messaging into their own applications. This is absolutely revolutionary and we can't wait to see what a global community of creative developers will do with Open Peer.



KEY MANAGEMENT

The management team of the Company includes:

Trent Johnsen | co-founder, CEO

Focus: Business Strategy, Finance, Business Development, Recruiting

Entrepreneur/Executive with track record of disruptive innovation, rapid growth and value creation in Internet, mobile, Cloud and IP telecom sectors.

- President & CEO, co-founder of Canada's first and largest national provider of hosted Business Voice-over-IP (VoIP) working with global tech leaders including Acme Packet, Cisco and Broadsoft.
 - Deployed National Network to Canada's six largest markets in record time
 - Recognized as “Fast 50” - Canada's Fastest Growing Companies
- Built national telephone service provider for Microsoft Response Point IP PBX.
- Founder, CEO of Cloud Internet Backup Provider “Offsite Data”. Founded, financed, established international Telco distribution and sold for Over \$62 million in less than 36 months.
- Extensive public, private and non-profit Board experience
- Married (27 years), 2 children, Quinn 23, Katherine 20. Bernese Mountain Dog, Ceili. Avid reader, photographer, guitar player, runner, skier, Boston RedSox fan.

Erik Lagerway | co-founder, COO

Focus: Technology Vision & Roadmap, Product Development, Technology operations

Globally recognized visionary technology developer, authority in voice, video, messaging and media software.

- Founder, President of Xten (now CounterPath Corporation—Nasdaq: CPAH, TSX:CCV) where he developed CounterPath's award-winning softphone technology that powers voice and video calling, messaging, and presence offerings of customers such as Alcatel -Lucent, AT&T, Verizon, BT, Rogers, Avaya, Cisco Systems, Mitel, NTT and NEC.
- CTO, Shift Networks. Led first deployment of Acme Packet, Broadsoft to build national Voice-over-IP network

Robin Raymond, Chief Architect

An expert software architect, technical leader and developer, whose specialty is for highly scalable network asynchronous software architectures, typically in the field of peer-to-peer telecommunications. Robin has been producing software since the dawn the computer age and have worked in everything from coding and software architecture to managing entire software departments and performing the duties of CTO.

Technical Advisory Board

Dr. Alan Duric, Oslo, Norway. One of Dr. Duric's companies was acquired by Skype for audio technology and a second company, Global IP Sound was acquired by Google and formed the foundational technology for WebRTC – “GIPS”)

Ranjith Kumaran, Palo Alto, CA - CEO and founder of YouSendit and Pucntab.

Boaz Sender, Boston, MA – Founder, CEO of bocoup, one of the world's leading JavaScript development companies with clients including Facebook, Disney and Walmart.

The Business Advisory Board is chaired by Myles Hamilton, Calgary, AB (Director AVAC, Past Vice-President Pepsi Frito-Lay) and includes Larry Lissner, San Francisco, CA (Principal, Embrace) who brings very significant knowledge and experience in marketing and advertising, specifically go-to-market work in the Telecom industry, and Evan Kirstel, Boston, MA (Acme Packet and Sonus Networks) who brings a deep technology business development experience with international carriers and Global 5000 Enterprise

OTHER INFORMATION

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PRESS



[Hookflash's Object Real-time Communications API Gives WebRTC New Power](#)



[Hookflash Advances Enterprise Real-time Communications for Web and Mobile with ORTC](#)



[Real-time Communications on BlackBerry 10: WebRTC and Open Peer](#)



[Hookflash Opens Developer Toolkit for iOS](#)



[Startup To Cisco: Buy Us And We'll Fix Your Skype Problem](#)



[LinkedIn-powered Hookflash iPad app wants to replace your business phone](#)



[Hookflash brings video calling to your LinkedIn network](#)



[Heightening high tech's profile](#)

**Two Years Post Close of Funding
Hookflash Inc.**

	1	2	3	4	5	6	7	8
<i>Hookflash Cloud Service API</i>								
Revenue	-	45,900	578,700	1,253,700	1,807,200	2,867,070	4,517,460	6,631,500
Cost of sales	6,000	11,741	78,388	162,822	232,057	364,633	571,076	835,514
Gross margin	(6,000)	34,159	500,312	1,090,878	1,575,143	2,502,437	3,946,385	5,795,986
<i>Hookflash Professional Fees</i>								
Revenue	50,000	50,000	50,000	100,000	100,000	100,000	100,000	100,000
Cost of sales	25,000	25,000	25,000	50,000	50,000	50,000	50,000	50,000
Gross margin	25,000	25,000	25,000	50,000	50,000	50,000	50,000	50,000
Total revenue	50,000	95,900	628,700	1,353,700	1,907,200	2,967,070	4,617,460	6,731,500
Total cost of sales	31,000	36,741	103,388	212,822	282,057	414,633	621,076	885,514
Total gross margin	19,000	59,159	525,312	1,140,878	1,625,143	2,552,437	3,996,385	5,845,986
Software development costs	389,335	551,888	551,888	575,888	562,888	559,885	559,885	583,885
Sales and marketing	63,200	94,214	149,591	164,491	164,491	342,332	342,332	342,332
General and administrative expenses	151,170	160,838	142,338	142,338	182,338	204,615	149,865	149,865
Total expenses	603,706	806,940	843,817	882,717	909,716	1,106,832	1,052,082	1,076,082
Net Income	(584,706)	(747,781)	(318,506)	258,162	715,427	1,445,605	2,944,303	4,769,904
Cash, open	(400,000)	1,715,294	967,513	649,007	907,169	1,622,596	3,068,201	6,012,503
Equity cash	3,000,000	-	-	-	-	-	-	-
Finance fees	(300,000)	-	-	-	-	-	-	-
Cash, end	1,715,294	967,513	649,007	907,169	1,622,596	3,068,201	6,012,503	10,782,407
Annualized run rate revenue	-	183,600	2,314,800	5,014,800	7,228,800	11,468,280	18,069,840	26,526,000

Proforma Statements

This Projection includes information about Hookflash's expectations for the future. When strategy, plans and future operating performance, or other things that have not yet taken place are projected, Hookflash is making statements considered to be forward-looking information. Forward-looking information involves risks, uncertainties and other factors that may cause actual results to differ materially from those stated in this projection. Forward-looking information is designed solely to help readers understand management's current views and is not appropriate for other purposes. Hookflash disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Financials

Balance Sheets

Hookflash Inc.
Incorporated under the laws of Alberta
Balance Sheet
December 31,
Unaudited
\$ Canadian

	2013	2012
<i>Assets</i>		
Current assets		
Cash	\$ 58,831	\$ 118,824
Accounts receivable/Tax Credits	275,050	27,040
Prepaid expenses	4,725	16,014
	<u>338,606</u>	<u>161,878</u>
Due from shareholders	245,391	231,090
Property and equipment	3,423	7,606
Development costs	1,997,030	1,582,727
Patents	75,221	28,876
	<u>\$ 2,659,671</u>	<u>\$ 2,012,177</u>
<i>Liabilities</i>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 314,285	\$ 106,019
Note payable	274,800	171,081
	<u>589,085</u>	<u>277,100</u>
<i>Shareholders equity</i>		
Share capital	3,363,362	2,590,562
Contributed surplus	632,993	561,958
Warrants	186,789	230,462
Equity portion of convertible debentures	47,623	28,919
Deficit	(2,160,181)	(1,676,824)
	<u>2,070,586</u>	<u>1,735,077</u>
	<u>\$ 2,659,671</u>	<u>\$ 2,012,177</u>

Statement of Loss and Deficit
Year Ended December 31,
Unaudited
\$ Canadian

	2013	2012
<i>Expenses</i>		
Salaries and wages	133,288	32,600
General and administrative	172,398	317,559
Hosting costs	24,515	-
Stock based compensation	27,362	231,159
Interest and accretion	70,793	21,527
Amortization	4,183	5,239
	<u>432,539</u>	<u>608,084</u>
Net loss	432,539	608,084
Deficit, beginning of year	<u>1,676,824</u>	<u>1,068,740</u>
	<u>2,109,363</u>	<u>1,676,824</u>
Dividends	50,818	-
Deficit, end of year	<u>\$ 2,160,181</u>	<u>\$ 1,676,824</u>

Income Statements

HOOKFLASH INC. (formerly SMB Phone Inc.) - Post December 3, 2013 Share Conversion
Share Activity Summary (as at November 4, 2014)

DATE	SHARE ACTIVITY	NO. OF SHARES	ISSUE PRICE PER SHARE	AGGREGATE	COMMENTS
COMMON SHARES					
Dec.3-2013	Opening Balance - Conversion of Class A-E Shares	17,170,750		\$3,177,224.00	
		<u>17,170,750</u>		<u>\$3,177,224.00</u>	
Dec.20-2013	Private Placement (Dec.2013) - First Closing	31,250	\$0.8000	\$25,000.00	
		<u>17,202,000</u>		<u>\$3,202,224.00</u>	
Jan.13-2014	Private Placement (Dec.2013) - Second Closing	31,250	\$0.8000	\$25,000.00	
Jan.17-2014	Private Placement (Dec.2013) - Third Closing	62,500	\$0.8000	\$50,000.00	
		<u>17,295,750</u>		<u>\$3,277,224.00</u>	
Feb.-21-2014	Private Placement (Dec.2013) - Fourth Closing	582,000	\$0.8000	\$465,600.00	
Feb.-24-2014	Private Placement (Dec.2013) - Fifth Closing	50,000	\$0.8000	\$40,000.00	
		<u>17,927,750</u>		<u>\$3,782,824.00</u>	
Apr.-10-2014	Option Exercise	100,000	\$0.2000	\$20,000.00	
		<u>18,027,750</u>		<u>\$3,802,824.00</u>	
June.-27-2014	Return to Treasury - Issued in Error	-31,250	\$0.8000	-\$25,000.00	
June.-27-2014	Private Placement (Dec.2013) - Sixth Closing	378,125	\$0.8000	\$302,500.00	
June.-27-2014	Broker's Warrant Exercises	222,750	\$0.2500	\$55,687.50	
		<u>18,597,375</u>		<u>\$4,136,011.50</u>	
October 9-2014	Private Placement (Dec.2013) - Seventh Closing	105,000	\$0.8000	\$84,000.00	
		<u>18,702,375</u>		<u>\$4,220,011.50</u>	
TOTAL COMMON SHARES ISSUED		<u>18,702,375</u>		<u>\$4,220,011.50</u>	

PURCHASE WARRANTS - Exercisable into Common Voting Shares (each warrant exercisable into one Common Share)

Nov-29-2011	Broker's Warrants - Private Placement (1st & 2nd Tranche)	87,500	\$1.0000	\$87,500.00	Expire November 29, 2014
Apr-12-2012	Broker's Warrants - Private Placement (3rd Tranche)	7,500	\$1.0000	\$7,500.00	Expire April 12, 2015
May-08-2012	Broker's Warrants - Private Placement (4th Tranche)	10,000	\$1.0000	\$10,000.00	Expire May 8, 2015
		<u>105,000</u>		<u>\$105,000.00</u>	
Jan.13-2014	Broker's Warrants - Private Placement (Dec.2013) - Second Closing	3,126	\$0.8000	\$2,500.80	Expire January 13, 2017 (GMP - 2188; Trademark 938)
Jan.17-2014	Broker's Warrants - Private Placement (Dec.2013) - Third Closing	6,250	\$0.8000	\$5,000.00	Expire January 17, 2017 (GMP - 4375; Trademark 1875)
Feb.21-2014	Broker's Warrants - Private Placement (Dec.2013) - Fourth Closing	2,240	\$0.8000	\$1,792.00	Expire February 21, 2017 (GMP)
June. 27-2014	Broker's Warrants - Private Placement (Dec.2013) - Sixth Closing	1,750	\$0.8000	\$1,400.00	Expire June 27, 2017 (Surge Capital Corp.)
October 9-2014	Broker's Warrants - Private Placement (Dec.2013) - Seventh Closing	875	\$0.8000	\$700.00	Expire October 9, 2017 (GMP)
TOTAL WARRANTS OUTSTANDING		<u>119,241</u>		<u>\$116,392.80</u>	

Capital Structure

OPTIONS - (all options expire 3 years from date of option grant unless noted otherwise) - (each Option exercisable into one Common Share)					
Apr-16-2011	Option Grants ⁽³⁾	1,030,000	\$0.2000	\$206,000.00	Expire April 16, 2014. Vest 25% after 3 months, 25% after 6 months, 25% after 9 months, and 25% after 12 months. ⁽³⁾
Apr-16-2011	Option Grants ⁽³⁾⁽⁴⁾	631,000	\$0.2000	\$126,200.00	Expire April 16, 2014. Vest 50% after 12 months and 50% after 24 months. ⁽³⁾⁽⁴⁾
May-17-2012	Option Grant - R. Kumaran	200,000	\$0.8000	\$160,000.00	Expire May 17, 2015. Vest 25% after 3 months, 25% after 6 months, 25% after 9 months, and 25% after 12 months.
June-1-2014	Option Grant - Christoph Dorn	65,000	\$0.8000	\$52,000.00	Expire June 1, 2019. All options vest immediately.
Nov 1-2014	Option Grant - Robin Raymond	600,000	\$0.8000	\$480,000.00	Expire November 1, 2019. 50% vest Nov. 1/15 & 50% vest Nov. 1/16
Nov 1-2014	Option Grant - Zhifeng (Bruce) Xia	30,000	\$0.8000	\$24,000.00	Expire November 1, 2019. 5000 vest immediately. 2,500 vest Feb1/15; May1/15; Aug.1/15; Nov1/15; Feb1/16; May1/16; Aug1/16; Nov1/16; Feb1/17 & May1/17.
		<u>2,556,000</u>		<u>\$492,200.00</u>	
TOTAL OPTIONS OUTSTANDING		<u>2,556,000</u>		<u>\$492,200.00</u>	

TOTAL FULLY DILUTED (including possible debenture conversions)

21,377,616

Exercised/Expired:

16/04/2011	10,000 Options Expired March 31, 2012
16/04/2011	1,000 Options Expired June 30, 2012
16/04/2011	5,000 Options Expired August 6, 2012
16/04/2011	1,000 Options Expired August 29, 2012
16/04/2011	5,000 Options Exercised September 25, 2012
16/04/2011	14,000 Options Expired October 31, 2012
16/04/2011	14,000 Options Expired December 30, 2012
17/03/2010	180,000 Warrants (Exercisable into Class E Shares) Expired March 17, 2013
16/04/2011	5,000 Options Expired August 30, 2013
16/04/2011	5,000 Options Expired October 29, 2013
16/04/2011	100,000 Options Expired September 17, 2013
16/04/2011	9,000 Options Expired December 30, 2013
10/04/2014	100,000 Options Exercised from April 16, 2011 option grant.
27/06/2014	211,750 Broker's Warrants - Private Placement from Feb/28/11 Exercised
27/06/2014	8,250 Broker's Warrants - Private Placement from Feb/28/11 Expired
27/06/2014	11,000 Broker's Warrants - Private Placement from Mar/07/11 Exercised
27/06/2014	119,000 Broker's Warrants - Private Placement from Mar/07/11 Expired

NOTE:

- (1) On February 26, 2014 the Board resolved to extend the expiry date of these warrants from February 28, 2014 to June 30, 2014.
- (2) On February 26, 2014 the Board resolved to extend the expiry date of these warrants from March 7, 2014 to June 30, 2014.
- (3) On April 11, 2014 the Board resolved to extend the expiry date of these options from April 16, 2014 to May 31, 2014. On May 31, 2014 the Board resolved to further extend the expiry date of these options to September 30, 2014. On September 29, 2014 the Board resolved to extend the expiry date of these options from September 30, 2014 to November 1, 2014. On October 31, 2014 the Board resolved to extend the expiry date of these options from November 1, 2014 to May 1, 2015.
- (4) On November 1, 2014 the Board resolved to extend 400,000 options (Robin Raymond) from May 1, 2015 to November 1, 2019.

Schedule of Fixed Assets

Hookflash Inc.'s fixed assets compose strictly of development costs that have been capitalized. This includes 90% of the salary of the Chief Operating Officer and Co-Founder who oversees the development activities, all consultants performing development activities and hardware/software purchased to facilitate the development of the technology.

As Hookflash only provides computers and other fixed assets to their two employees and are not material to the financial statements as a whole it is its policy from 2013 forward to not capitalize any assets with a purchase price of less than \$5,000 used in operations.

Appendices

Appendix A - White Paper on Open Peer

Appendix B - Erik Lagerway CV