MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This document has been prepared for the purpose of providing management's discussion and analysis ("MD&A") of our financial condition and results of operations for the three and twelve month periods ended December 31, 2014 compared to the same periods in 2013. The MD&A should be read in conjunction with our audited consolidated financial statements and MD&A for the years ended December 31, 2014 and December 31, 2013. The financial statements have been prepared in Canadian dollars using International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The information contained herein is dated as of February 26, 2015 and is current to that date, unless otherwise stated. Additional information relating to the Company may also be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements in this management's discussion and analysis may constitute forward-looking statements, including those identified by the expressions such as "anticipate", "believe", "estimate", "expect", "foresee", "intend", "plan", or similar expressions to the extent that they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company's current assumptions and expectations regarding future events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions. Please see "Risk Factors Affecting Future Results" for a more complete discussion of these and other risks.

BUSINESS OVERVIEW:

Espial is a leading developer and marketer of TV Browser and TV Everywhere software solutions to consumer electronics manufacturers and telecommunications service providers. Over 35 million licenses of our software are in use globally.

The Espial TV Browser product allows Smart TV manufacturers to provide a full web experience on their TVs, set-top boxes, digital media adapters and other devices. TV manufacturers are projected to ship increasing numbers of web-enabled TVs over the next several years. Espial provides them with a high performance browser to provide their consumers with a full web experience including access to over-the-top video, social media, news sites and sports sites.

The Espial Media Service Platform and Espial MediaBase Platform enable the delivery of TV Everywhere and IPTV services over Internet Protocol broadband networks. Our products allow communications service providers, including telecommunications operators, cable TV, satellite TV and Internet service providers (ISPs), to deploy TV Everywhere and IPTV services to their subscribers. Espial's powerful platforms facilitate the provisioning of innovative video services such as video-on-demand, time-shift TV and interactive services. TV Everywhere and IPTV deployments in the industry continue to increase, however the timing and growth rates remain challenging to predict. Some factors affecting this are industry consolidation in Europe and Japan (including some of our existing customers), long integration timelines, extended sales cycles to service providers, the current financial challenges many European countries face and the rise of new web-based TV competitors such as Netflix.

We do not consider these growth patterns to be unusual for these industries in such an early stage as this one, but these industry dynamics, combined with our size as a company and the size of individual contract awards, suggest that our revenue will continue to have significant variability in the foreseeable future. As such, we caution readers that quarter-to-quarter comparisons of our operating results are not necessarily meaningful and should not be relied upon as indications of likely future performance or annual operating results.

We remain confident that telecommunication service providers around the world believe that the delivery of video content is critical to their future business successes. In addition, customer feedback continues to suggest that cable television service providers have begun to assess the value of IPTV to their businesses much sooner than the industry had anticipated and this also bodes well for the future growth of the market. Finally, we are optimistic that consumer electronics manufacturers will continue to invest in next-generation TV and TV devices requiring a full web browsing experience.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

The Company prepares its consolidated financial statements in accordance with IFRS. For reporting purposes, we prepare our financial statements in Canadian dollars.

Management makes certain estimates and relies on certain assumptions relating to the reporting of our assets and liabilities as well as revenues and expenses, and related disclosure of contingent assets and liabilities in order to prepare our financial statements in conformity with IFRS. Estimates have been applied in a manner consistent with that in the prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

On an on-going basis, we evaluate our estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Because this can vary in each situation, actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

Our revenues are derived from the license of our software products and related consulting services and product support. We may license our software in multiple element arrangements in which the customer purchases a combination of software, support and/or consulting services such as training and integration services.

Revenue from software licenses is recognized when all of the following criteria have been met: transfer to the buyer of the significant risks and rewards of ownership; the Company does not retain continuing managerial involvement; the revenue amount can be reliably measured; it is probable that the economic benefits will flow to the Company and costs incurred can be reliably measured. If a customer has been identified as newly formed, undercapitalized or in financial difficulty in the period a sale takes place or if there are other uncertainties regarding ultimate collection, revenue is deferred and recognized when cash is received or when payments become due if amounts are considered collectible and all other revenue recognition criteria have been met.

Product support revenue is deferred and recognized over the term of the maintenance, typically between twelve and thirty six months.

Professional services revenue is generally recognized by reference to the stage of completion of the contract, taking into consideration the cost incurred to date in relation to the total expected cost to complete the deliverable. If the estimated cost to complete a contract increases over the life of the contract resulting in a loss on the contract, the loss is recognized immediately into the statement of loss.

Arrangements may be comprised of multiple product and service elements. Revenue for customer support and maintenance, and professional services included in a multiple element arrangement are unbundled from the total fee for the arrangement based on their relative fair value as determined by reliable objective evidence. Where reliable objective evidence does not exist, reference to third party prices or estimates of standalone price for the element are used to determine a fair value. In situations where reliable objective evidence or other evidence of fair value does not exist for the delivered elements but does exist for the undelivered elements, we may apply the residual method. The residual method allocates the consideration to the undelivered elements based on their fair value and the remaining consideration to the delivered elements.

Warranty costs are accrued based on the expected costs to be incurred. Historically there has not been any warranty costs incurred or accrued.

Unbilled receivables arise where professional services are performed or product delivered prior to our ability to invoice in accordance with the contract terms.

Deferred revenue arises when customers are invoiced in advance of revenue recognition criteria being met.

Intangible assets

Intangible assets resulting from the acquisition of companies are recorded at fair value, estimated by management based on the expected discounted future cash flows associated with the acquired intangible assets. Acquired intangible assets are amortized on a straight-line basis over their expected future life.

Goodwill

Goodwill is calculated as the excess of the fair value of consideration paid over the fair value of tangible and identifiable intangible assets acquired and liabilities assumed. As there is only one cash generating unit in the Company, goodwill is allocated to the Company as a whole. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized immediately in income or loss in the consolidated statement of income and loss and comprehensive income and loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Stock-Based Compensation

We measure equity settled stock options granted based on their fair value at the grant date and recognize compensation expense over the vesting period. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net earnings. Consideration paid by employees on the exercise of stock options is recorded as share capital and the related share-based payment is transferred from share-based reserve to share capital.

Determining the fair value of the stock-based awards requires judgment, including estimating the expected term of the options, the expected volatility of our stock and expected dividends. In addition, judgment is also required in estimating the amount of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted. The fair value of the awards is determined by using the Black-Scholes option-pricing model.

Foreign Currency Translation

The functional currency of the parent company and each of its subsidiaries is the Canadian dollar. Revenue and expenses in foreign currencies are translated at the average rate for the period. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in the statement of income (loss).

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on our assessment of the likelihood of collection of specific customer balances. If there is deterioration in a customer's credit worthiness or actual defaults are higher than our historical experience, our estimates of recoverability for the accounts receivable could be adversely affected. The evaluation of collection of customer accounts is typically done on an individual account basis. If, based on an evaluation of accounts, we conclude that it is probable that a customer will not be able to pay all amounts due, we estimate the expected loss. We believe the amount reserved at December 31, 2014 of $43,504 is reasonable.

Income Taxes

We account for income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for account purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change of statutory tax rates is recognized in net earnings in the year of the change. Deferred income tax assets are recorded when their recoverability is considered probable and is reviewed at the end of each reporting period.

Impairment of tangible and intangible assets

We monitor events and changes in circumstances that may require an assessment of the recoverability of our non-financial assets. At each balance sheet date, we assesses whether there is any indication that any non-financial assets are impaired. An impairment charge is recognized if the recoverable amount, determined as the higher of an asset's fair value less cost to sell and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Purchase price allocation

On February 4, 2013 the Company acquired ANT plc. and as a result of this acquisition, management was required to estimate the fair values of each identifiable asset and liability acquired through the acquisition. Fair value of cash, accounts receivable, accounts payable deferred revenue, prepaid and deposits and tax credit receivable were estimated to approximate their carrying values in ANT's records at the date of the transaction. Property and equipment were estimated based on the replacement values and provisions were set up based on management's estimates. The fair values of the intangibles were valued using the excess earnings method under the income approach. None of the purchase price was allocated to goodwill.

Provisions

From time to time the Company is involved in claims in the normal course of business. Management assesses such claims and where considered likely to result in a material exposure and where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the likely outcome. The Company does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

New and Revised IFRS Accounting Pronouncements

Impairment of assets
In May 2013, the IASB amended IAS 36, Impairment of Assets ("IAS 36"), applied retrospectively for annual periods beginning on or after January 1, 2014, to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. Adoption of IAS 36 did not have a material impact on the Company's financial statements.

Financial instruments: Asset and liability offsetting
In December 2011, the IASB amended IAS 32, Financial Instruments: Presentation ("IAS 32"), applied retrospectively for annual periods beginning on or after January 1, 2014, to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. Adoption of IAS 32 did not have a material impact on the Company's financial statements.

IFRIC 21, Levies
In May 2013, the IASB issued IFRIC 21, Levies which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executor contracts of other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. This IFRIC is effective for annual periods beginning on or after January 1, 2014 and is required to be applied retrospectively. Adoption of IFRIC 21 did not have a material impact on the Company's consolidated financial statements.

Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early application is permitted. The Company does not intend to early adopt IFRS 9. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 15, Revenue from Contracts with Customers
In May, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), a new standard on revenue recognition. The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. The standard contains the following:

- a single model that applies to contracts with customers; and
- two approaches to recognizing revenue – at a point in time or over time.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard also provides application guidance on numerous topics, including warranties; licences; and when to capitalize costs of obtaining or fulfilling contracts that are not addressed in other accounting standards (e.g., inventory). IFRS 15 applies for annual periods beginning on or after January 1, 2017. Early application is permitted. The extent of the impact of adoption of IFRS 15 has not yet been determined.

Recent Developments

On June 24, 2014, the Company completed a public offering for common shares on a bought-deal basis (the "Offering"). The Company also granted the underwriters an over-allotment option to purchase up to an additional 526,320 Common Shares at the Offering Price which was exercised on July 24, 2014. Pursuant to the Offering and exercise of the over-allotment, the Company issued 4,035,120 common shares at a price of $2.85 (the "Offering Price") for gross proceeds of $11,500,092. The net proceeds, after deducting share issue costs of $935,206, which have been netted against the value of the common shares, were $10,564,886.

On November 15, 2013, the Company completed a private placement ("the Financing") of 5,714,286 units for gross proceeds of $4,000,000. Each unit was issued at a price of $0.70 per Unit and consists of one common share of the Corporation and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.72 per share for a period of twelve months from November 15, 2013. The net proceeds of the Financing were $3,623,037. As at November 15, 2014 all warrants related to the offering were exercised and the Company received net proceeds of $2,057,143.

On February 4, 2013 the Company completed its acquisition of ANT plc., ("ANT") in exchange for cash consideration of £0.205 per outstanding share. The acquisition was accounted for using the acquisition method of accounting, whereby the results of operations of the acquired company are included in the Company's consolidated financial statement from the acquisition date and the related identifiable assets acquired and liabilities assumed are recorded at their fair values on the date of acquisition. The purchase price was cash consideration of $6,955,196.

Comparison of the three and twelve month periods ended December 31, 2014 and 2013

RESULTS OF OPERATIONS:

The following table sets out selected information from our consolidated statement of operations, for the periods indicated:

	Three Months Ended		Twelve Months Ended	
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	**December 31, 2014**	December 31, 2013
Revenue				
Software	$ 2,898,646	$ 2,482,863	$ 8,723,977	$ 7,031,332
Professional services	1,100,466	328,477	6,429,023	1,315,749
Support and maintenance	1,259,481	1,091,201	4,850,757	4,202,331
Total Revenue	5,258,593	3,902,541	20,003,757	12,549,412
Cost of revenue	840,697	738,575	4,297,770	2,299,217
Gross margin	4,417,896	3,163,966	15,705,987	10,250,195
Expenses				
Sales and marketing	1,162,783	710,362	3,991,274	3,923,040
General and administrative	849,277	394,635	2,843,589	1,987,502
Research and development	2,254,322	1,578,599	6,756,519	6,606,819
Business restructuring charges		-	-	1,049,222
Amortization of Intangible assets	162,993	161,460	645,869	1,101,889
	4,429,375	2,845,056	14,237,251	14,668,472
Income (loss) before other income (expense)	(11,479)	318,910	1,468,736	(4,418,277)
Foreign exchange gain (loss)	131,942	33,241	205,653	(277,641)
Interest income	36,136	3,360	82,476	16,533
Interest expense	-	(151,196)	(106,163)	(563,557)
Income (loss) before tax	156,599	204,315	1,650,702	(5,242,942)
Income taxes	(317,830)	(55,371)	(478,818)	(286,483)
Net income (loss) and comprehensive income (loss)	$ (161,231)	$ 148,944	$ 1,171,884	$ (5,529,425)

Included in the functional expense categories above, is the following non-cash expenses.

	Three Months Ended		Twelve Months Ended	
	Dec. 31, 2014 (Unaudited)	Dec. 31, 2013 (Unaudited)	**Dec. 31, 2014 (Unaudited)**	Dec. 31, 2013 (Unaudited)
Sales and marketing	$ 10,095	$ 10,722	$ 35,076	$ 38,188
General and administrative	9,534	10,127	33,128	36,067
Research and development	36,455	38,720	126,664	137,903
Depreciation	$ 56,084	$ 59,569	$ 194,868	$ 212,158
Sales and marketing	$ 23,649	5,143	$ 63,317	15,168
General and administrative	250,440	21,161	631,671	94,018
Research and development	63,284	10,447	166,522	34,783
Share based compensation	$ 337,373	$ 36,751	$ 861,510	$ 143,969

Non-IFRS Measurements

We use Adjusted net income (loss) and Adjusted diluted earnings (loss) per share, which remove the impact of our amortization of intangible assets and stock based compensation expense, to measure our performance as these measures align our results and improve comparability against our peers. We use Adjusted EBITDA to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements.

Adjusted net income (loss), Adjusted diluted earnings (loss) per share and Adjusted EBITDA are not recognized, defined or standardized measures under IFRS. Our definition of Adjusted net income (loss), Adjusted EBITDA and Adjusted diluted earnings (loss) per share will likely differ from that used by other companies and therefore comparability may be limited. Adjusted net income (loss), Adjusted EBITDA and Adjusted diluted earnings (loss) per share should not be considered a substitute for or in isolation from measures prepared in accordance with IFRS. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on non-IFRS measures and view them in conjunction with the most comparable IFRS financial measures. We have reconciled Adjusted net income (loss) and Adjusted EBITDA to the most comparable IFRS financial measure as follows:

	Three months ended December 31, 2014	Three months ended December 31, 2013	**Twelve months ended December 31, 2014**	Twelve months ended December 31, 2013
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Net income (loss)	**$ (161,231)**	$ 148,943	**$ 1,171,884**	$(5,529,421)
Add				
Stock based compensation	**337,373**	36,751	**861,510**	143,969
Amortization of intangibles	**162,993**	161,460	**645,870**	1,101,885
Adjusted net income (loss)	**339,135**	347,154	**2,679,264**	(4,283,567)
Add(less)				
Depreciation	**56,084**	59,569	**194,868**	212,158
Net interest income (expense)	**(36,136)**	147,836	**23,687**	547,024
Foreign exchange gain (loss)	**(131,942)**	(33,241)	**(205,653)**	277,641
Income tax	**317,830**	55,371	**478,818**	286,483
Adjusted EBITDA	**$ 544,971**	$ 576,689	**$3,170,984**	$(2,960,261
Basic net income (loss) per share	**$(0.01)**	$0.01	**$0.05**	$(0.37)
Diluted net income (loss) per share	**$(0.01)**	$0.01	**$0.05**	$(0.37)
Adjusted diluted net income (loss) per share	**$0.01**	$0.02	**$0.11**	$(0.29)

Revenue

We generate revenue by selling software licenses either on a per device (e.g. set-top box, Smart TV, Blu-ray player) basis or on a per subscriber basis. These licenses typically include upfront fees, together with recurring annual maintenance fees. We also generate revenue by offering professional services such as consultancy, software integration and installation. We expect to generate revenue through the sale of additional licenses to our existing communications service providers and consumer electronics manufacturers, as they increase penetration of their TV offerings in their traditional subscriber base, as well as through the addition of new communications service providers. Subsequent to the initial license purchase, communications service providers may purchase additional licenses for new products and services. We also earn license fees when current subscribers replace or upgrade their existing set-top boxes or when they install additional set-top boxes in their homes.

Revenue increased by 35% to $5,258,593 in the last quarter of 2014 from $3,902,541 in the same period of 2013. Revenue from software license sales and deployments totalled $2,898,646, an increase of 17% from $2,482,863 in the same quarter of 2013 primarily due to royalties from a Smart TV customer that purchased a block of up-front licenses. Revenue from support totalled $1,259,481 an increase of 15% from $1,091,201 in the same quarter of 2013 primarily due to the increase in cumulative licenses under support. Revenue from professional services totalled $1,100,466, an increase of 235% from $328,477 in the same quarter of 2013 primarily due to integration work being performed for a North American cable company that purchased the Company's IPTV solution and due to paid proof of concepts for customers that are evaluating the Company's IPTV solution as part of their next-generation TV offering.

Revenue increased by 59% to $20,003,757 in the year ended December 31, 2014 from $12,549,412 in the same period of 2013. Revenue from software license sales and deployments totalled $8,723,977, an increase of 24% from $7,031,332 in the same period of 2013. The increase was primarily due to increased license revenue from a North American channel partner that manufactures set-top-boxes, license revenue from existing European customers that expanded their products to include multi-screen solutions and increased license revenue from SmartTV manufacturers. Revenue from support totalled $4,850,757, an increase of 15% from $4,202,331 in the same period of 2013, primarily due to the increase in cumulative licenses under support. Revenue from professional services totalled $6,429,023, an increase of 389% from $1,315,748 in the same period of 2013 primarily due to integration work being performed for a North American cable company that purchased the Company's IPTV solution and due to paid proof of concepts for customers that are evaluating the Company's IPTV solution as part of their next-generation TV offering.

The following table summarizes revenues for the three and twelve month periods ended December 31, 2014 and 2013:

	Three months ended December 31, 2014		Three months ended December 31, 2013		**Twelve months ended December 31, 2014**		Twelve months ended December 31, 2013	
	Revenues	**% of total**	Revenues	% of total	**Revenues**	**% of total**	Revenues	% of total
Software	**$2,898,646**	**55%**	$2,482,863	64%	**$8,723,977**	**44%**	$7,031,332	56%
Professional services	**1,100,466**	**21%**	328,477	8%	**6,429,023**	**32%**	1,315,749	11%
Support	**1,259,481**	**24%**	1,091,201	28%	**4,850,757**	**24%**	4,202,331	33%
Total	**$5,258,593**	**100%**	$3,902,541	100%	**$20,003,757**	**100%**	$12,549,412	100%

Revenues by Geography

In the fourth quarter of fiscal 2014, the geographic makeup of total revenues was as follows: customers based in Europe accounted for 30% (33% in 2013); customers based in Asia accounted for 38% (23% in 2013); and customers in North America accounted for 32% (44% in 2013).

For the year ended December 31, 2014 the geographic makeup of total revenues was as follows: customers based in Europe accounted for 36% (33% in 2013); customers based in Asia accounted for 24% (33% in 2013); and customers in North America accounted for 40% (34% in 2013).

The following table summarizes the geographic distribution of revenues for the three and twelve month periods ended December 31, 2014 and 2013:

	Three months ended December 31, 2014		Three months ended December 31, 2013		**Twelve months ended December 31, 2014**		Twelve months ended December 31, 2013	
	Revenues	**% of total**	Revenues	% of total	**Revenues**	**% of total**	Revenues	% of total
Europe	**$1,608,454**	**30%**	$1,292,531	33%	**$7,193,809**	**36%**	$4,161,299	33%
Asia Pacific	**1,984,378**	**38%**	892,517	23%	**4,771,042**	**24%**	4,125,156	33%
North America	**1,665,761**	**32%**	1,717,493	44%	**8,038,906**	**40%**	4,262,957	34%
Total	**$5,258,593**	**100%**	$3,902,541	100%	**$20,003,757**	**100%**	$12,549,412	100%

European revenues were $1,608,454 in the last quarter of 2014 compared to $1,292,531 in 2013 primarily due to license revenue resulting from customer expansion. Asia revenues were $1,984,378 in the last quarter of 2014 compared to $892,517 in 2013 due to increased sales to SmartTV manufacturers. North American revenues decreased to $1,665,760 in the fourth quarter of 2014 compared to $1,717,493 in 2013 due to lower license revenue from a set top box manufacturer offset by higher professional services revenue from integration work being performed for a North American cable company that purchased the Company's IPTV solution.

European revenues were $7,193,809 in the year ended December 31, 2014 compared to $4,161,299 for the same period of 2013. The increase is primarily due to existing European customers that are expanding their subscriber base including adding multi-screen solutions and from professional services related to paid proof of concepts for customers that are evaluating the Company's IPTV solution as part of their next-generation TV offering. Asia revenues increased to $4,771,042 in 2014 from $4,125,156 in 2013 primarily due to increased license revenue from SmartTV manufacturers. North American revenues were $8,038,905 in 2014 compared to $4,262,957 in 2013, primarily due to integration work being performed for a North American cable company that purchased the Company's IPTV solution and to increased license revenue from a set top box manufacturer.

Cost of Revenue and Gross Margin

Cost of revenue consists primarily of staffing and other costs associated with providing professional services and maintaining customer support, and royalty and support commitments to first party software suppliers.

Cost of revenues for the fourth quarter of 2014 was $840,697 compared to $738,575 in the same period last year. Cost of revenues for the year ended December 31, 2014 increased to $4,297,770 from $2,299,217 for the same period last year. The increase for the year is primarily due to higher professional services compared to last year.

Our gross margin in the fourth quarter of 2014 was $4,417,896 compared to $3,163,966 in 2013. As a percentage of revenue, the gross margin increased to 84% in 2014 from 81% in 2013. The increase was primarily due to higher software license revenue which has a higher margin. For the year ended December 31, 2014 our gross margin increased to $15,705,987 from $10,250,195 in 2013. As a percentage, our gross margin decreased to 79% from 82% due to a higher portion of revenue coming from professional services in 2014.

Sales and Marketing Expenses

Our sales and marketing expenses consist primarily of compensation, including stock compensation and sales commissions, paid to our sales, marketing and field technical support personnel. Other significant sales and marketing expenses include travel and living costs for the sales and marketing staff, rent and other occupancy costs for our international sales offices, and other advertising, promotion and trade show costs.

Our sales and marketing expenses increased in the fourth quarter of 2014 to $1,162,783 from $710,362 in 2013 primarily due to an increase in headcount and related higher salary and commission costs. For the year ended December 31, 2014 sales and marketing expense increased slightly to $3,991,274 from $3,923,040 resulting from cost synergies related to the acquisition of ANT (see "Recent Developments") being offset by the expansion of sales in the later part of 2014.

General and Administrative Expenses
Our general and administrative expenses consist primarily of compensation, including stock compensation, paid to our Chief Executive Officer and our finance, legal and corporate administrative staff. Other significant general and administrative expenses include professional fees and travel, rent and occupancy costs.

Our general and administrative expenses increased to $849,277 during the fourth quarter of 2014 from $394,635 in 2013 primarily due to increased stock compensation expense and variable employee compensation. For the year ended December 31, 2014, our general and administrative expenses increased to $2,843,589 from $1,987,502 in 2013, also due primarily to stock compensation expense and variable employee compensation.

Research and Development Expenses
Research and development is a critical component of our on-going success. We intend to continue to expand our product offerings and introduce new features and applications. Research and development expenses consist primarily of compensation, including stock compensation, paid to our engineering personnel. Some of these remuneration costs are paid to independent contractors whom we occasionally use to provide additional technical capacity on a short-term basis. Other research and development expenses include travel, rent and other occupancy costs for our engineering and field technical support personnel.

Research and development expense increased to $2,254,322 during the fourth quarter of 2014 from $1,578,599 in 2013 due primarily to increased headcount and related compensation expense. For the year ended December 31, 2014 our research and development expense increased to $6,756,519 from $6,606,819 in 2013 primarily due to cost synergies related to the acquisition of ANT (see "Recent Developments") being offset by compensation cost related to the addition of research and development employees in the later part of 2014.

Amortization of Property and Equipment
Our amortization of property and equipment in the fourth quarter of 2014 was $56,084 compared to $59,569 in 2013. Amortization of property and equipment for the year ended December 31, 2014 and 2013 was $194,868 and $212,158, respectively.

Amortization of Intangible Assets
Amortization of intangible assets for the three months ended December 31, 2014 and 2013 was $162,993 and $161,460, respectively. Amortization of intangible assets for the year ended December 31, 2014 and 2013 was $645,869 and $1,101,889, respectively. The decrease is due to intellectual property related to a previous acquisition in 2008 being fully amortized in 2014.

Stock compensation expense.
During the fourth quarter of 2014, stock compensation expense increased to $337,373 from $36,751 in the fourth quarter ended 2013. For the years ended December 31, 2014 and 2013, stock compensation expense was $861,510 and $143,968, respectively. The increase is due to increased number of options issued during the year ended December 31, 2014.

The following table presents the stock compensation expense by function during the periods noted below:

	Three Months ended		Year ended	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Sales and marketing	**$ 23,649**	$ 5,143	**$ 63,317**	$ 15,168
General and administration	**250,440**	21,161	**631,671**	94,018
Research and development	**63,284**	10,447	**166,522**	34,783
	$ 337,373	$ 36,751	**$ 861,510**	$ 143,969

Other Income (Expense)

Other income in the fourth quarter of 2014 was $168,078 compared to an expense of $114,595 in the same period in 2013. The change was attributable to (i) interest income of $36,136 compared to $3,360 last year due to increased cash held in interest bearing accounts, (ii) 2014 interest expense was $0 compared to $151,196 in 2013 due to interest on term debt that was outstanding last year and paid off in full in April of 2014, and (iii) 2014 foreign exchange gain of $131,942 compared to $33,241 in 2013.

For the year ended December 31, 2014 other income was $181,966 compared to other expense of $824,665 in the same period in 2013. The change was attributable to (i) 2014 interest income was $82,476 compared to interest income of $16,533 in 2013 due to increased cash held in interest bearing accounts, (ii) 2014 interest expense was $106,163 compared to $563,557 in 2013 due to interest on term debt that was outstanding last year and paid off in full in April of 2014, and (iii) 2014 foreign exchange gain of $205,653 compared to a foreign exchange loss of $277,641 in 2013.

Taxes

Taxes for the fourth quarter of 2014 were $317,830 compared to $55,371 in 2013. Taxes for the year ended December 31, 2014 and 2013 was $478,818 and $286,483, respectively. All taxes relate to withholding tax on software licenses sold to customers domiciled in Asia and to services provided to certain European customers.

Business restructuring costs

In the first quarter of fiscal 2013, the Company incurred a restructuring charge of $1,049,222 related to the acquisition of ANT primarily related to employee termination costs, transaction costs and a provision for leased facility space that is no longer used.

QUARTERLY RESULTS OF OPERATIONS:

The following table sets out selected information from our consolidated statement of operations, for the latest eight (8) quarters of operations

	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	Jun. 30, 2014	Sept. 30, 2014	Dec. 31, 2014
Revenue	$2,542,059	$2,279,506	$3,825,306	$3,902,541	$4,974,824	$4,712,514	$5,057,826	$5,258,593
Cost of revenue	513,314	504,330	542,997	738,575	754,131	1,310,717	1,392,225	840,697
Gross margin	2,028,745	1,775,176	3,282,309	3,163,966	4,220,693	3,401,797	3,665,601	4,417,896
Expenses								
Sales and marketing	1,135,423	992,918	1,084,387	710,362	922,301	924,620	981,570	1,162,783
General and administrative	588,508	545,775	458,583	394,635	543,938	637,026	813,345	849,277
Research and development	1,764,309	1,806,048	1,457,814	1,578,599	1,522,097	1,434,899	1,545,203	2,254,322
Business restructuring costs	1,049,222	-	-	-	-	-	-	-
Amortization of intangible assets	361,961	393,556	184,912	161,460	160,770	160,770	161,338	162,993
	4,899,423	3,738,297	3,185,696	2,845,056	3,149,106	3,157,315	3,501,456	4,429,375
Income (loss) before other income (expense)	(2,870,678)	(1,963,121)	96,613	318,910	1,071,587	244,482	164,145	(11,479)
Interest income (expense)	(134,362)	(133,210)	(131,616)	(147,836)	(83,707)	(10,912)	34,796	36,136
Foreign exchange gain (loss)	(223,283)	22,253	(109,853)	33,241	113,781	(92,321)	52,252	131,942
Income (loss) before taxes	(3,228,323)	(2,074,078)	(144,856)	204,315	1,101,661	141,249	251,193	156,599
Income taxes	(43,846)	(58,837)	(128,429)	(55,371)	(73,087)	(50,678)	(37,223)	(317,830)
Net and Comprehensive income (loss)	$(3,272,169)	$(2,132,915)	$(273,285)	$148,944	$1,028,574	$90,571	$213,970	$(161,231)

LIQUIDITY and CAPITAL RESOURCES:

Cash and Short Term Investments

The Company has historically financed its cash requirements through the issuance of debt and equity. As at December 31, 2014, the Company had cash and short-term investments of $18,111,324 compared to $7,407,093 as of December 31 2013.

Working Capital

During the year ended December 31, 2014 we used cash of $1,715,062 to finance working capital. This use of cash was primarily due to increases in accounts receivable of $1,803,838, prepaid expenses of $64,863, and investment tax credits of $302 and a decrease in deferred revenues of $495,033, offset by an increase in accounts payable and accrued liabilities of $648,974.

Operations

Cash generated in operating activities, not including non-cash operating working capital items, in the year ended December 31, 2014 was $2,562,364 compared to cash used in operations of $3,464,772 in the same period of 2013. Cash generated was driven by net income in the year ended December 31, 2014 of $1,171,884, plus non-cash items including amortization of $645,869, depreciation of $194,868, interest accretion on long-term debt of $57,944, stock compensation of $861,510, and a drawdown of $369,711 of provisions.

Investing Activities

Purchases of property and equipment for the year ended December 31, 2014 totalled $383,146 compared to $29,815 for 2013. Purchases of intangible software for the year totalled $43,265 compared to $5,255 for 2013. During the first quarter of 2013 the acquisition of ANT resulted in the redemption of short-term investments of $8,164,551. The net cash outflow for the purchase of the business was $2,120,412.

Financing Activities

During the year ended December 31, 2014, the Company repaid $2,500,000 of its term debt, received $17,311 from the exercise of employee options to purchase common shares, $2,201,141 from the exercise of warrants to purchase common shares, and net proceeds from an equity financing of common shares from treasury of $10,564,886.

We currently have no material commitments for capital expenditures. The Company's minimum lease commitments over the remaining life of the leases are as follows:

2015	$ 683,237
2016	573,281
2017	338,538
2018	322,410
2019 to 2024	1,874,425
	$ 3,791,891

Lease payments recognized as an expense during the three month periods ended December 31, 2014 and 2013 were $141,435 and $217,114 respectively. Lease payments recognized as an expense during the year ended December 31, 2014 and 2013 were $631,748 and $806,113 respectively

CAPITAL DISCLOSURES

We manage our capital, being cash and cash equivalents, term debt and equity, with the primary objective being the safeguarding of our working capital. We use term debt from time to time to finance our capital and operations as well as our cash resources.

On June 24, 2014, the Company completed a public offering for common shares on a bought-deal basis (the "Offering"). The Company also granted the underwriters an over-allotment option to purchase up to an additional 526,320 Common Shares at the Offering Price which was exercised on July 24, 2014. Pursuant to the Offering and exercise of the over-allotment, the Company issued 4,035,120 common shares at a price of $2.85 (the "Offering Price") for gross proceeds of $11,500,092. The net proceeds, after deducting share issue costs of $926,654, which have been netted against the value of the common shares, were $10,573,438.

On November 15, 2013, the Company completed a private placement ("the Financing") of 5,714,286 units for gross proceeds of $4,000,000. Each unit was issued at a price of $0.70 per Unit and consists of one common share of the Corporation and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.72 per share for a period of twelve months from November 15, 2013. The net proceeds of the Financing were $3,623,037. As at November 15, 2014 all warrants related to the offering were exercised and the Company received net proceeds of $2,057,143.

On April 1, 2014, we paid off the $2.5 million balance of the $3.5 million loan we entered into on December 30, 2010. At December 31, 2014 we had no term debt outstanding.

As of December 31, 2014, we had an operating credit facility with a Schedule III Canadian chartered bank in an amount of up to US$3.0 million. The operating line is secured by a charge on all of our assets, and bears interest at the prime rate plus 1% and is available based on a percentage of trade accounts receivable and investment tax credits receivable, the "Borrowing Base". The Company must maintain a liquidity ratio of 1.5 times, calculated as the total of unrestricted cash and equivalents held at the bank plus 80% of eligible accounts receivable divided by all bank debt. As at December 31, 2014, we had drawn nil on these credit facilities and were in compliance with its covenant.

Management believes that cash on hand at the date of this report is sufficient to fund our operations for the foreseeable future. We may however, from time to time, enter into debt and equity arrangements if we believe it is in the long term interest of our shareholders. There is a risk that such arrangements may result in dilution to existing shareholders.

RISK FACTORS AFFECTING FUTURE RESULTS:

There are a number of risk factors that could cause future results to differ materially from those described herein. Please refer to our 2013 and 2014 Annual Information Forms at www.sedar.com for a full discussion of these risk factors.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES:

Management is responsible for establishing and maintaining disclosure controls and procedures. Under the supervision and with the participation of our President and Chief Executive Officer (CEO) and Chief Financial Officer (CFO), management evaluated the effectiveness of our disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to our management, including our certifying officers, as appropriate to allow timely decisions regarding required disclosure. Management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2014 our year end.

EVALUATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining internal control over financial reporting. Under the supervision and with the participation of our President and CEO and the CFO, management evaluated the effectiveness of the Company's internal control over financial reporting. Internal control is a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the annual financial statements or interim financial statements. The CEO and CFO did not identify any material weaknesses in their evaluation of internal control, and concluded that the Company's internal control over financial reporting was effective, as at December 31, 2014.

There has been no change to internal controls in the most recent quarter ended on December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.