10-Q 1 validian10qnov12-19.htm VALIDIAN CORP FORM 10-Q

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

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FORM 10-Q

____

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 000-28423

VALIDIAN CORPORATION
(Exact name of Registrant as specified in its charter)

NEVADA	**58-2541997**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6 Gurdwara Rd., Suite 205, Ottawa, Ontario, Canada K2E 8A3
(Address of principal executive offices)

Registrant's telephone number: 613-230-7211

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	VLDI	OTC

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer £	Accelerated Filer £
Non-Accelerated Filer S	Small Reporting Company S
(Do not check if a smaller reporting company)	Emerging Growth Company £

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

At November 8, 2019, 688,287,060 shares of the registrant's common stock were outstanding.

SEC 1296 (05-19) **Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

VALIDIAN CORPORATION AND SUBSIDIARIES
Consolidated, Condensed Balance Sheets
(In United States dollars)

	September 30, 2019 (Unaudited)	December 31, 2018
Assets		
Current assets:		
Cash	$ 1,509	$ --
Value added taxes recoverable	12,776	1,828
Total Current assets	14,285	1,828
Total assets	$ 14,285	$ 1,828

Liabilities and Stockholders' Deficit		
Current liabilities:		
Bank indebtedness	$ --	$ 171
Accounts payable and accrued liabilities (note 7)	3,071,888	3,174,605
Accrued interest on 10% senior convertible notes payable to related parties (note 6)	4,001	4,001
Deferred revenue	320,000	320,000
Promissory notes payable (note 2)	829,027	258,750
10% Senior convertible notes (note 3)	1,164,783	1,148,974
Total current liabilities	5,389,699	4,906,501
Total liabilities	5,389,699	4,906,501
Stockholders' deficit (note 4):		
Series A Convertible Preferred stock ($0.001 par value, $1,000 stated value. Authorized 10,000 shares; issued and outstanding 2,230 shares at September 30, 2019 and December 31, 2018)	2	2
Series B Convertible Preferred stock ($0.001 par value, $1,000 stated value. Authorized 5,000 shares; issued and outstanding 3,900 shares at September 30, 2019 and December 31, 2018)	4	4
Series C Convertible Preferred stock ($0.001 par value, $1,000 stated value. Authorized 5,000 shares; issued and outstanding 3,559 shares at September 30, 2019 and 3,409 at December 31, 2018)	3	3
Common stock, ($0.001 par value. Authorized 700,000,000 shares; issued and outstanding 688,287,060 shares at September 30, 2019 and December 31, 2018)	688,287	688,287
Additional paid in capital	49,804,993	49,729,993
Accumulated deficit	(55,818,965)	(55,273,224)
Treasury stock (7,000 shares at September 30, 2019 and December 31, 2018, at cost)	(49,738)	(49,738)
Total stockholders' deficit	(5,375,414)	(4,904,673)
Total liabilities and stockholders' deficit	$ 14,285	$ 1,828

See accompanying notes to unaudited interim consolidated condensed financial statements.

VALIDIAN CORPORATION AND SUBSIDIARIES
Consolidated, Condensed Statements of Operations
For the three and nine months ended September 30, 2019 and 2018
(In United States dollars)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Expenses:				
Selling, general and administrative	$ 42,314	$ 43,484	$ 143,377	$ 184,464
Research and development	100,993	15,994	188,162	38,083
Total expenses	143,307	59,478	331,539	222,547
Loss from operations	(143,307)	(59,478)	(331,539)	(222,547)
Other income (expenses):				
Interest and financing costs (notes 2 and 3)	(72,163)	(35,926)	(158,989)	(308,093)
Foreign exchange gain (loss)	16,321	(30,769)	(55,213)	71,577
Total other income (expenses)	(55,842)	(66,695)	(214,202)	(236,516)
Net loss	$ (199,149)	$ (126,173)	$ (545,741)	$ (459,063)
Loss per common share – basic and diluted (note 5)	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Weighted average number of common shares outstanding during period	686,787,060	686,787,060	686,787,060	655,184,164

See accompanying notes to unaudited interim consolidated condensed financial statements.

VALIDIAN CORPORATION AND SUBSIDIARIES

Consolidated, Condensed Statements of Changes in Stockholders' Deficit

For the three months ended September 30, 2018 and September 30, 2019

(In United States dollars)

(Unaudited)

	Number	Common stock amount	Ser. A Conv. Pref Stock Number	Ser. A Conv. Pref Stock Amount	Ser. B Conv. Pref Stock Number	Ser. B Conv. Pref Stock Amount	Ser. C Conv. Pref Stock Number	Ser.C Conv. Pref Stock Amount	Additional paid-in capital	Accumulated defici
Balances at July 1, 2019	688,287,060	$688,287	2,230	$ 2	3,900	$ 4	3,409	$ 3	$49,729,993	$(55,619,816
Shares issued as incentive connected to issuance of convertible promissory notes	–	–	–	–	–	–	150	–	75,000	-
Net loss	–	–	–	–	–	–	–	–	–	(199,149
Balances at September 30, 2019	688,287,060	$688,287	2,230	$ 2	3,900	$ 4	3,559	$ 3	$49,804,993	$(55,818,965

	Number	Common stock amount	Ser. A Conv. Pref Stock Number	Ser. A Conv. Pref Stock Amount	Ser. B Conv. Pref Stock Number	Ser. B Conv. Pref Stock Amount	Ser. C Conv. Pref Stock Number	Ser.C Conv. Pref Stock Amount	Additional paid-in capital	Accumulated defici
Balances at July 1, 2018	688,287,060	$688,287	2,230	$ 2	3,900	$ 4	3,409	$ 3	$49,729,993	$(55,092,718
Net loss	–	–	–	–	–	–	–	–	–	(126,173
Balances at September 30, 2018	688,287,060	$688,287	2,230	$ 2	3,900	$ 4	3,409	$ 3	$49,729,993	$(55,218,891

See accompanying notes to unaudited interim consolidated condensed financial statements.

VALIDIAN CORPORATION AND SUBSIDIARIES

Consolidated, Condensed Statements of Changes in Stockholders' Deficit

For the nine months ended September 30, 2018 and September 30, 2019

(In United States dollars)

(Unaudited)

	Number	Common stock amount	Ser. A Conv. Pref Stock Number	Ser. A Conv. Pref Stock Amount	Ser. B Conv. Pref Stock Number	Ser. B Conv. Pref Stock Amount	Ser. C Conv. Pref Stock Number	Ser.C Conv. Pref Stock Amount	Additional paid-in capital	Accumulated defici
Balances at January 1, 2019	688,287,060	$688,287	2,230	$ 2	3,900	$ 4	3,409	$ 3	$49,729,993	$(55,273,224
Shares issued as incentive connected to issuance of convertible promissory notes	–	–	–	–	–	–	150	–	75,000	-
Net loss	–	–	–	–	–	–	–	–		(545,741
Balances at September 30, 2019	688,287,060	$688,287	2,230	$ 2	3,900	$ 4	3,559	$ 3	$49,804,993	$(55,818,965

	Number	Common stock amount	Ser. A Conv. Pref Stock Number	Ser. A Conv. Pref Stock Amount	Ser. B Conv. Pref Stock Number	Ser. B Conv. Pref Stock Amount	Ser. C Conv. Pref Stock Number	Ser.C Conv. Pref Stock Amount	Additional paid-in capital	Accumulated defici
Balances at January 1, 2018	600,520,343	$600,520	2,230	$ 2	3,900	$ 4	3,409	$ 3	$49,567,976	$(54,759,828

Shares issued in connection with the conversion of convertible promissory notes and accrued interest thereon (note 7)	87,766,717	87,767	–	–	–	–	–	–	162,017	-
Net loss	–	–	–	–	–	–	–	–	–	(459,063
Balances at September 30, 2018	688,287,060	$688,287	2,230	$ 2	3,900	$ 4	3,409	$ 3	$49,729,993	$(55,218,891

See accompanying notes to unaudited interim consolidated condensed financial statements.

VALIDIAN CORPORATION AND SUBSIDIARIES
Consolidated, Condensed Statements of Cash Flow
For the nine months ended September 30, 2019 and 2018
(In United States dollars)
(Unaudited)

	Nine months Ended September 30,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (545,741)	$ (459,063)
Adjustments to reconcile net loss to net cash used in *operating activities:*		
Stock-based compensation	--	22,910
Non-cash interest and financing expense	15,809	191,397
Increase (decrease) in cash resulting from changes in:		
Value added taxes recoverable	(10,948)	1,240
Prepaid expenses	--	3,064
Accounts payable and accrued liabilities	(102,717)	76,614
Net cash used in operating activities	(643,597)	(163,838)
Cash flows from investing activities:		
Net cash used in investing activities	--	--
Cash flows from financing activities:		
Bank indebtedness	(171)	(103)
Issuance of promissory notes	630,735	188,500
Issuance of 10% senior convertible notes	75,000	--
Repayment of 10% senior convertible notes	--	(20,000)
Repayment of promissory notes	(60,458)	(4,500)
Net cash provided by financing activities	645,106	163,897
Net increase in cash	1,509	59
Cash, Beginning of period	--	--
Cash, End of period	$ 1,509	$ 59

Supplementary information (note 7)
See accompanying notes to unaudited interim consolidated condensed financial statements.

VALIDIAN CORPORATION AND SUBSIDIARIES
Notes to Consolidated, Condensed Financial Statements
September 30, 2019
(In United States dollars)
(Unaudited)

Validian Corporation (the "Company") was incorporated in the State of Nevada on April 12, 1989 as CCC Funding Corp. The Company underwent several name changes before being renamed to Validian Corporation on January 28, 2003.

Since August 3, 1999, the efforts of the Company have been devoted primarily to the development of a high speed, highly secure method of transacting business using the Internet, and to the sale and marketing of the Company's products.

1. Basis of presentation and significant accounting policies

The accompanying consolidated financial statements include the accounts of Validian Corporation and its wholly owned subsidiaries (collectively, the "Company") after elimination of all significant intercompany balances and transactions. The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While management has based its assumptions and estimates on the facts and circumstances currently known, final amounts may differ from such estimates.

The accompanying unaudited financial information as of and for the three and nine months ended September 30, 2019 and 2018 has been prepared in accordance with GAAP in the U.S. for interim financial information and with the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the financial statements include all adjustments (consisting only of normal recurring entries) necessary for a fair presentation of the financial position and results of operations of the Company for the periods presented. The results of operations for the nine months ended September 30, 2019 are not necessarily indicative of the operating results for the full fiscal year ending December 31, 2019. These unaudited interim financial statements have been prepared following accounting principles consistent with those used in the annual audited financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2018 filed with the SEC on April 9, 2019. The consolidated condensed balance sheet at December 31, 2018 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles in the U.S. for complete financial statements.

Fair value measurements

The carrying value of cash, amounts receivable, accounts payable and accrued liabilities approximates fair value due to the short term to maturity of these instruments. The carrying value of the 10% senior convertible notes, and the promissory notes approximate fair value, due to the issuance of certain of these debt instruments during the nine months prior and/or subsequent to the period ended September 30, 2019, under conditions substantially identical to those existing at September 30, 2019.

Going concern

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has no revenues, has negative working capital of $5,375,414, and stockholders' deficit of $5,375,414 as at September 30, 2019, and has incurred a loss of $545,741 and negative cash flow from operations of $643,597 for the nine months then ended. Furthermore, the Company failed to settle certain 10% senior convertible notes and promissory notes plus accrued interest when they matured on various dates between October 2008 and December 2018. As a result of these non-payment defaults, all of the 10% senior convertible notes, as well as the promissory notes were in default at September 30, 2019, in accordance with the default provisions of the respective notes, and consequently are due and payable on demand. In addition, the Company expects to continue to incur operating losses for the foreseeable future, and has no lines of credit or other financing facilities in place.

The Company expects to incur operating expenses of approximately $1,472,000 for the year ending December 31, 2019, subject to the availability of adequate funding. In the event the Company cannot raise the additional funds necessary to finance its research and development and sales and marketing activities, it may have to cease operations.

All of the factors above raise substantial doubt about the Company's ability to continue as a going concern for twelve months from issuance of these financial statements. Management's plan to address these issues includes raising capital through the private placement of equity, the exercise of previously-issued equity instruments and through the issuance of additional promissory notes. The Company's ability to continue as a going concern is subject to management's ability to successfully implement these plans. Failure to do so could have a material adverse effect on the Company's position and or results of operations and could also result in the Company ceasing operations. The consolidated financial statements do not include adjustments that would be required if the assets are not realized and the liabilities settled in the normal course of operations.

Even if successful in obtaining financing in the near term, the Company cannot be certain that cash generated from its future operations will be sufficient to satisfy its liquidity requirements in the longer term, and it may need to continue to raise capital by issuing additional equity or by obtaining credit facilities. The Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and the level of its promotional activities and advertising required to generate product sales. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favorable to the Company.

Principles of consolidation

These consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America and include the accounts of Validian Corporation and its wholly-owned subsidiaries, Sochrys Technologies Inc. and Evolusys S.A. All intercompany balances and transactions have been eliminated.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates. Significant management estimates include assumptions used in estimating the fair value of convertible notes issued with common stock.

Cash and cash equivalents:

Cash and cash equivalents include liquid investments with original maturity dates of three months or less.

Prepaid expenses

Prepaid consulting fees related to services to be rendered within twelve months from the balance sheet date are included in prepaid expenses. These costs are charged to expenses as the services are rendered. If for any reason circumstances arise which would indicate that the services will not be performed in the future, any remaining balance included in prepaid expenses will be charged to expense immediately.

Income taxes

(In United States dollars)

Deferred income taxes are determined using the asset and liability method, whereby deferred income tax is recognized based on temporary differences using enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Temporary differences between the carrying values of assets or liabilities used for tax purposes and those used for financial reporting purposes arise in one period and reverse in one or more subsequent periods. In assessing the realizability of deferred tax assets, management considers known and anticipated factors impacting whether some portion or all of the deferred tax assets will not be realized. To the extent that the realization of deferred tax assets is not considered to be more likely than not, a valuation allowance is provided.

Revenue recognition

We recognize revenue in accordance with generally accepted accounting principles as outlined in the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification ("ASC") 606, Revenue From Contracts with Customers, which requires that five steps be followed in evaluating revenue recognition: (i) identify the contract with the customer; (ii) identity the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue when or as the entity satisfied a performance obligation.

We did not have a cumulative impact as of January 1, 2018 due to the adoption of Topic 606 and there was not an impact to our consolidated statements of operations for the nine months ended September 30, 2019 and 2018 as a result of applying Topic 606.

Revenues that have been prepaid but for which all elements have not been delivered, are reflected as deferred revenue on the consolidated balance sheet.

Research and development

Costs related to research, design and development of software products are charged to research and development expenses as incurred unless they meet the generally accepted criteria for deferral and amortization. Software development costs incurred prior to the establishment of technological feasibility do not meet these criteria and are expensed as incurred. To date the Company has not capitalized any software development costs.

Advertising expense

Advertising costs are expensed upon the start of the scheduled advertising.

Foreign currency translation

The functional currency for the financial statements of the Company is the United States dollar. Exchange gains or losses are realized due to differences in the exchange rate at the transaction date versus the rate in effect at the settlement or balance sheet date. Exchange gains and losses are recorded in the statement of operations. Currently, most of the Company's activities are located in Canada.

Stock-based compensation

The Company accounts for stock-based compensation in accordance with the provisions of ASC Topic 718 "Compensation – stock compensation" (ASC Topic 718). ASC Topic 718 requires all share-based payments, including stock options granted by the Company to its employees, to be recognized as expenses, based on the fair value of the share-based payments at the date of grant. For purposes of estimating the grant date fair value of stock-based compensation, the Company uses the Black Scholes option-pricing model and has elected to treat awards with graded vesting as a single award. The fair value of awards granted is recognized as compensation expense on a straight-line basis over the requisite service period, which in the Company's circumstances is the stated vesting period of the award.

In adopting ASC Topic 718, the Company applied the modified-prospective transition method. Under this method, the Company has recognized compensation costs for all share-based payments granted, modified, or settled after January 1, 2006, as well as for any awards that were granted prior to January 1, 2006 for which the requisite service had not been provided as of that date (unvested awards).

Recent accounting pronouncements

Management does not believe that any recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

2. Promissory notes payable

The following table sets forth the financial statement presentation of the promissory note proceeds on issuance, and the changes in the financial statement presentation of the balance allocated to the notes as at and for the periods ended September 30, 2019 and December 31, 2018:

	Nine months ended September 30, 2019 (unaudited)	Year ended December 31, 2018
Balance beginning of period	$ 258,750	$ 65,750

(In United States dollars)

Net proceeds on issuance	630,735	197,500
Principal repaid	(60,458)	(4,500)
Balance end of period	$ 829,027	$ 258,750

During the nine months ended September 30, 2019, the Company repaid $60,458 of the promissory notes.

The notes outstanding at September 30, 2019 bear interest at the rate of 12% per annum and are due on demand.

During the nine months ended September 30, 2019 the Company entered into various new promissory notes, which bear interest at 12% and are due on demand.

Included in interest and financing costs for the three and nine months ended September 30, 2019 is $24,866 (2018: $6,858) and $54,716 (2018: $14,163), respectively, of interest on the promissory notes. Interest on the promissory notes paid in cash during the three and nine months ended September 30, 2019 is $3,400 (2018: $182) and $3,400 (2018: $141), respectively.

3. 10% Senior convertible notes

The following table sets forth the financial statement presentation of the note proceeds on issuance, and the changes in financial statement presentation of the balance allocated to the 10% senior convertible notes for the periods ended September 30, 2019 and December 31, 2018:

	Nine months ended September 30, 2019 (unaudited)	Year ended December 31, 2018
Balance beginning of period	$ 1,148,974	$ 1,168,974
Note proceeds on issuance	75,000	--
Payments made	--	(20,000)
Note balance remaining	1,223,974	1,148,974
Discount related to preferred stock issued to note holders	(75,000)	--
Discount amortization recorded as a charge to interest and financing costs	15,809	--
	(59,191)	--
Balance end of period	$ 1,164,783	$ 1,148,974

During the period, the Company entered into new convertible debentures with the following attributes:

Date issued	Maturity date	Note Principal	Number of preferred Ser C shares given as consideration	Total par value at $0.001per share	Total stated value at $1,000 per share	Number of common shares at conversion price of $0.03	Close price on date of transaction per OTC	Total FV	Discount (capped at face value of note)
Sep 3, 2019	Dec 31, 2019	$50,000	100	$0.10	$100,000	3,333,333	$0.0170	$56,667	$50,000
Sep 10, 2019	Dec 31, 2019	$25,000	50	$0.05	$50,000	1,666,667	$0.0213	$35,500	$25,000
								$92,167	$75,000

Discount on this debt is to be amortized over the life of the notes.

Holders are permitted, at any time, to convert all or a portion of the outstanding principal plus accrued interest into common stock of the company, at a rate ranging from one common share for each $0.03 of debt converted, to one common share for each $0.10 of debt converted. Interest on the notes is accrued until the notes are either repaid by the Company or converted by the holder. At the Company's option, interest may be paid either in cash or in common shares of the Company. If interest is paid in common shares, the number of shares required for settlement will be calculated at the rate of conversion in effect for the conversion of the note principal.

The Company failed to settle certain of its 10% senior convertible notes plus accrued interest thereon when they matured on various dates between October 1, 2008 and December 31, 2018. At September 30, 2019, a significant portion of these notes remained in default for non-payment. As a result of these non-payment defaults, all, except for those issued in the period, of the 10% senior convertible notes are in default at September 30, 2019, in accordance with the default provisions of the notes, and consequently are payable on demand. Interest is accrued at the default rate (10%) on all notes outstanding past the maturity date.

The notes are unsecured, and are convertible as follows:

Note **Conversion**

(In United States dollars)

Principal	Rate
$ 717,468	$0.03
6,506	0.038
500,000	0.10
$ 1,223,974	

Included in interest and financing costs for the three and nine months ended September 30, 2019 is $29,488 (2018: $29,271) and $86,464 (2018: $87,239), respectively, in coupon rate interest accrued on the 10% senior convertible notes.

4. Stockholders' deficit

(a) Common stock transactions

During the nine months ended September 30, 2019, holders of the convertible promissory notes did not exercise the conversion feature of the notes.

(b) Preferred stock transactions:

During the nine months ended September 30, 2019, in connection with the issuance of the Company's 10% senior convertible notes, the Company issued 150 shares of its Series C Convertible Preferred Stock.

5. Loss per share

As the Company incurred a net loss during the nine months ended September 30, 2019, and during the three months ended September 30, 2019, the loss and diluted loss per common share are based on the weighted-average common shares outstanding during the period. The following outstanding instruments could have a dilutive effect in the future:

	September 30, 2019 (unaudited)	September 30, 2018 (unaudited)
Shares issuable on conversion of 10% senior convertible notes	29,086,800	26,586,767
Common shares issuable on conversion of the Series A convertible preferred stock	22,300,000	22,300,000
Common shares issuable on conversion of the Series B convertible preferred stock	130,000,000	130,000,000
Common shares issuable on conversion of the Series C convertible preferred stock	118,633,333	113,633,333
Stock options	7,500,000	7,500,000
Total	307,520,133	300,020,100

6. Related party transactions

$4,001 (2018: $4,001) in accrued interest charges relating to the 10% senior convertible notes and 12% promissory notes previously issued to a director and a company controlled by a director is outstanding at September 30, 2019.

7. Supplementary cash flow information

The Company paid no income taxes during the nine months ended September 30, 2019, nor during the nine months ended September 30, 2018. Interest paid in cash during the nine months ended September 30, 2019 was $3,400 (2018: $141).

Non-cash financing activities are excluded from the consolidated statements of cash flows. The following is a summary of such activities for the nine months ended September 30, 2019 and 2018:

	2019	2018
Issuance of the Company's common stock on conversion of convertible promissory notes plus accrued interest thereon	--	$ 249,784
Total	--	$ 249,784

8. Subsequent events

On October 21, 2019, the Company issued $15,000 of its 10% senior convertible notes plus a stock grant of 30 Series C Preferred Shares for cash. This note has a maturity date of March 31, 2020.

Item 2. Management's Discussion and Analysis or Plan of Operations

FORWARD-LOOKING INFORMATION

We caution readers that certain important factors may affect our actual results and could cause such results to differ materially from any forward-looking statements that we make in this report. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. This report contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "plans," "may," or similar terms. These statements appear in a number of places in this report and include statements regarding our intent, belief or current expectations with respect to many things, some of which are:

- trends affecting our financial condition or results of operations for our limited history;
- our business and growth strategies;
- our technology;
- the Internet; and
- our financing plans.

We caution readers that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties. In fact, actual results most likely will differ materially from those projected in the forward-looking statements as a result of various factors. Some factors that could adversely affect actual results and performance include:

- our limited operating history;
- our lack of sales to date;
- our requirements for additional capital and operational funding;
- the failure of our technology and products to perform as specified;
- the discontinuance of growth in the use of the Internet;
- the enactment of new adverse government regulations; and
- the development of better technology and products by others.

You should carefully consider and evaluate all of these factors. In addition, we do not undertake to update forward-looking statements after we file this report with the SEC, even if new information, future events or other circumstances have made them incorrect or misleading.

CRITICAL ACCOUNTING POLICIES

We prepare our financial statements in accordance with generally accepted accounting principles in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant accounting policies and methods used in preparation of the financial statements are described in note 2 to our 2018 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2018. We evaluate our estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Actual results could differ materially from these estimates and assumptions. The following critical accounting policies are impacted by judgments, assumptions and estimates used in preparation of our September 30, 2019 Interim Consolidated Financial Statements.

Research and development expenses:

We expense all of our research and development expenses in the period in which they are incurred. At such time as our product is determined to be commercially available, we will capitalize those development expenditures that are related to the maintenance of the commercial products, and amortize these capitalized expenditures over the estimated life of the commercial product. The estimated life of the commercial product will be based on management's estimates, including estimates of current and future industry conditions. A significant change to these assumptions could impact the estimated useful life of our commercial product resulting in a change to amortization expense and impairment charges.

Financial instruments

We have issued convertible notes and convertible notes with common shares. The fair value of the convertible notes is required to be estimated as well as the fair value of the convertible notes issued with common shares. There are significant assumptions and management estimates used in determining these amounts. A significant change to these assumptions could result in a significant change to the fair value of the convertible notes.

RESULTS OF OPERATIONS

The three months ended September 30, 2019 compared to the three months ended September 30, 2018

Revenue: We had no revenue during the three months ended September 30, 2019, nor during the three months ended September 30, 2018. Since August 1999 we have directed all of our attention towards the completion, and sales and marketing of our software applications. We believe that if we are successful in our development and sales and marketing efforts, we will generate a source of revenue in the future from sales and/or licensing of our software applications.

Selling, general and administrative expenses: Selling, general and administrative expenses consist primarily of personnel costs, professional fees, communication expenses, travel and other miscellaneous costs associated with supporting our research and development, sales and marketing and investor relations activities. During the three months ended September 30, 2019, we incurred a total of $42,314, as compared to $43,484 during the three months ended September 30, 2018.

There was no significant change in selling, general and administrative expenses during the three months ended September 30, 2019 as compared with the three months ended September 30, 2018.

We have made efforts to minimize selling, general and administrative expenses wherever possible, through measures such as reducing the number of personnel, postponing our Annual General Meeting, reducing the number of trade shows in which we participate, reducing travel costs, delaying production of new promotional material, and reducing our occupancy costs. We will continue to carefully monitor our selling, general and administrative expenses as we work within current budgetary limits leading up to the full commercial release of our products.

Research and development expenses: Research and development expenses consist primarily of personnel costs directly associated with the research and development of our technology and of the use of our technology in the proposed software applications of our prospective customers. During the three months ended September 30, 2019, we incurred a total of $100,993, as compared to $15,994 during the three months ended September 30, 2018 on research and development activities. There was an overall increase in research and development expenses of $84,999 (531%) during the three months ended September 30, 2019 as compared to the three months ended September 30, 2018.

The increase in research and development expenses occurred as a result of an increase in fees paid to consultants during the three months ended September 30, 2019 as compared with the three months ended September 30, 2018.

During the three months ended September 30, 2019, the primary focus of our development activity was supporting customer and prospect technical reviews as well as development of the next versions of our ValidianProtect and Data Protection Module technology.

During the three months ended September 30, 2018, the primary focus of our development activity was developing and writing test plans and procedures for version 3.3 of Validian's technology.

Interest and financing costs: Interest and financing costs during the three months ended September 30, 2019 and during the three months ended September 30, 2018 consisted of costs associated with our 10% senior convertible notes, our promissory notes, and our convertible promissory notes. During the three months ended September 30, 2019, we incurred $72,163 in interest and financing costs, an increase of $36,237 (101%) from the $35,926 in interest and financing costs incurred during the three months ended September 30, 2018.

The $72,163 in interest and financing costs we incurred during the three months ended September 30, 2019 is comprised of $54,354 of interest paid and payable to the holders of our debt; $nil of accretion of our promissory notes; $nil of accretion of our convertible promissory notes; and $17,809 of amortized deferred finance fees and original issue discount relating to the promissory notes and convertible promissory notes. The $35,926 in interest and financing costs we incurred during the three months ended September 30, 2018 is comprised of $35,926 of interest paid and payable to the holders of our debt; $nil of accretion of our promissory notes; $nil of accretion of our convertible promissory notes; and $nil of amortized deferred finance fees and original issue discount relating to the promissory notes and convertible promissory notes.

We failed to settle certain of our promissory notes and 10% senior convertible notes, and accrued interest thereon, when they became due on various dates between October 1, 2008, and September 30, 2019; a significant portion of these notes remain in default as at September 30, 2019. In accordance with the default provision of the 10% senior convertible notes, and of the promissory notes outstanding at September 30, 2019, this has resulted in, except for those issued in the period, all of these notes becoming due and payable on demand as of the date of the default, or in the case of notes issued subsequent to the default, on the date of issuance, notwithstanding any other stated maturity date. Consequently, the accretion relating to the equity components of these notes issued since the initial event of default, and the amortization of any finance charges incurred thereon, has occurred in the period of issuance.

Foreign exchange gain (loss): Foreign exchange gain (loss) is comprised of realized gains and losses on foreign currency conversions, the majority of which relate to accounts payable and accrued liabilities denominated in Canadian dollars. During the three months ended September 30, 2019, the United States dollar gained strength relative to the Canadian dollar, resulting in an overall gain on foreign currency transactions of $16,321. During the three months ended September 30, 2018 the Canadian dollar gained strength relative to the United States dollar, resulting in an overall loss on foreign currency transactions of $30,769.

Net loss: We incurred a loss of $199,149 (rounded to $0.00 per share) for the three months ended September 30, 2019, compared to a loss of $126,173 (rounded to $0.00 per share) for the three months ended September 30, 2018. Our revenues and future profitability are substantially dependent on our ability to:

- raise additional capital to fund operations;
- license software applications to a sufficient number of clients;
- be cash-flow positive on an ongoing basis;
- modify the successful software applications, over time, to provide enhanced benefits to then-existing users; and
- successfully develop related software applications.

The nine months ended September 30, 2019 compared to the nine months ended September 30, 2018

Revenue: We had no revenue during the nine months ended September 30, 2019, nor during the nine months ended September 30, 2018. Since August 1999 we have directed all of our attention towards the completion, and sales and marketing of our software applications. We believe that if we are successful in our development and sales and marketing efforts, we will generate a source of revenue in the future from sales and/or licensing of our software applications.

Selling, general and administrative expenses: Selling, general and administrative expenses consist primarily of personnel costs, professional fees, communication expenses, travel and other miscellaneous costs associated with supporting our research and development, sales and marketing and investor relations activities. During the nine months ended September 30, 2019, we incurred a total of $143,377, as compared to $184,464 during the nine months ended September 30, 2018. There was an overall decrease in selling, general and administrative expenses of $41,087 (22%) during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018.

This decrease occurred primarily as a result of a decrease in the fair value of stock-based compensation recognized as expense during the nine months ended September 30, 2019 as compared with the nine months ended September 30, 2018, relating to the amortization of prepaid balances for service contracts.

We have made efforts to minimize selling, general and administrative expenses wherever possible, through measures such as reducing the number of personnel, postponing our Annual General Meeting, reducing the number of trade shows in which we participate, reducing travel costs, delaying production of new promotional material, and reducing our occupancy costs. We will continue to carefully monitor our selling, general and administrative expenses as we work within current budgetary limits leading up to the full commercial release of our products.

Research and development expenses: Research and development expenses consist primarily of personnel costs directly associated with the research and development of our technology and of the use of our technology in the proposed software applications of our prospective customers. During the nine months ended September 30, 2019, we incurred a total of $188,162, as compared to $38,083 during the nine months ended September 30, 2018 on research and development activities. There was an overall increase in research and development expenses of $150,079 (394%) during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018.

The increase in research and development expenses occurred as a result of an increase in fees paid to consultants during the nine months ended September 30, 2019 as compared with the nine months ended September 30, 2018, due to a less extensive level of development activity undertaken.

During the nine months ended September 30, 2019, the primary focus of our development activity was supporting customer and prospect technical reviews as well as development of the next versions of our ValidianProtect and Data Protection Module technology.

During the nine months ended September 30, 2018, the primary focus of our development activity was supporting analysis by our prospective customers of what cyber security risks that Validian's core technology could protect against in our prospective customers' technical environments; research on securing web applications and browsers including design, architecture and testing; updating, and writing additional, technical documentation of version 3.3 of Validian's technology; and developing and writing test plans and procedures for version 3.3 of Validian's technology.

Interest and financing costs: Interest and financing costs during the nine months ended September 30, 2019 and during the nine months ended September 30, 2018 consisted of costs associated with our 10% senior convertible notes, our promissory notes, and our convertible promissory notes. During the nine months ended September 30, 2019, we incurred $158,989 in interest and financing costs, a decrease of $149,104 (48%) from the $308,093 in interest and financing costs incurred during the nine months ended September 30, 2018.

The $158,989 in interest and financing costs we incurred during the nine months ended September 30, 2019 is comprised of $141,180 of interest paid and payable to the holders of our debt; $nil of accretion of our promissory notes; $nil of accretion of our 10% senior convertible notes; $nil of accretion of our convertible promissory notes; and $17,809 of amortized deferred finance fees and original issue discount relating to the promissory notes and convertible promissory notes. The $308,093 in interest and financing costs we incurred during the nine months ended September 30, 2018 is comprised of $116,696 of interest paid and payable to the holders of our debt; $nil of accretion of our promissory notes; $nil of accretion of our 10% senior convertible notes; $170,981 of accretion of our convertible promissory notes; and $20,416 of amortized deferred finance fees and original issue discount relating to the promissory notes and convertible promissory notes.

We failed to settle certain of our promissory notes and 10% senior convertible notes, and accrued interest thereon, when they became due on various dates between October 1, 2008, and December 31, 2018; a significant portion of these notes remain in default as at September 30, 2019. In accordance with the default provision of the 10% senior convertible notes, and of the promissory notes outstanding at September 30, 2019, this has resulted in, except for those issued in the period, all of these notes becoming due and payable on demand as of the date of the default, or in the case of notes issued subsequent to the default, on the date of issuance, notwithstanding any other stated maturity date. Consequently, the accretion relating to the equity components of these notes issued since the initial event of default, and the amortization of any finance charges incurred thereon, has occurred in the period of issuance.

Foreign exchange gain: Foreign exchange gain (loss) is comprised of realized gains and losses on foreign currency conversions, the majority of which relate to accounts payable and accrued liabilities denominated in Canadian dollars. During the nine months ended September 30, 2019, the Canadian dollar gained strength relative to the United States dollar, resulting in an overall loss on foreign currency transactions of $55,213. During the nine months ended September 30, 2018 the United States dollar gained strength relative to the Canadian dollar, resulting in an overall gain on foreign currency transactions of $71,577.

Net loss: We incurred a loss of $545,741 (rounded to $0.00 per share) for the nine months ended September 30, 2019, compared to a loss of $459,063 (rounded to $0.00 per share) for the nine months ended September 30, 2018. Our revenues and future profitability are substantially dependent on our ability to:

- raise additional capital to fund operations;
- license software applications to a sufficient number of clients;
- be cash-flow positive on an ongoing basis;
- modify the successful software applications, over time, to provide enhanced benefits to then-existing users; and
- successfully develop related software applications.

LIQUIDITY AND CAPITAL RESOURCES

General: Since inception, we have funded our operations from private placements of debt and equity securities. In addition, until September 1999 we derived revenues from consulting contracts with affiliated parties, the proceeds of which were used to fund operations. We have also received an aggregate of $791,650 in proceeds relating to "VAR" licensing agreements. Until such time as we are able to generate adequate revenues from the licensing of our software applications, we cannot assure that we will be successful in raising additional capital, or that cash from the issuance of debt securities, the exercise of existing warrants and options, and the placements of additional equity securities, if any, will be sufficient to fund our long-term research and development and selling, general and administrative expenses.

Our cash increased by $1,680 during the nine months ended September 30, 2019, from a bank indebtedness balance of $171 at December 31, 2018, to a cash balance of $1,509 at September 30, 2019. This increase in cash occurred from net cash used in operations of $643,597 during the period being less than the $645,106 in net proceeds from financing activities.

Management has concluded there is substantial doubt about our ability to continue as going concern for the 12 months subsequent to the issuance of these interim consolidated financial statements for the nine months ended September 30, 2019. Our economic viability is dependent on our ability to finalize the development of our principal products, generate sales and finance operational expenses, and that these factors, together with our lack of revenues to date; our negative working capital; our loss for the year, as well as negative cash flow from operating activities in the same period; and our accumulated deficit, raise substantial doubt regarding our ability to continue as a going concern. At September 30, 2019, we had negative working capital of $5,375,414 and an accumulated deficit of $55,818,965; for the nine months then ended we had a net loss of $545,741, and negative cash flow from operations of $643,597. Furthermore, the Company failed to settle certain of its 10% senior convertible notes and promissory notes, plus accrued interest thereon when they matured on various dates from October 1, 2008 to December 31, 2018. A substantial amount of these notes remain unpaid as of September 30, 2019. Except for those issued in the period, all of the 10% senior convertible notes, as well as the promissory notes, were in default at September 30, 2019 in accordance with the default provisions of the respective notes, and as a result are due and payable on demand.

We anticipate commercial sales during the fourth quarter of 2019, however we cannot be assured that this will be the case. During the next three months we do not expect to hire additional personnel unless we are successful in raising significant funds through the issuance of our debt or equity securities. We do not expect to make any material commitments for capital equipment expenditures during the next twelve months.

We have an immediate requirement for additional working capital in order to proceed with our business plan. We review our cash needs and sources on a month-to-month basis and we are currently pursuing appropriate opportunities to raise additional capital to fund operations. Additional sources of capital could involve issuing equity or debt securities. We have engaged consultants to provide advice to us with respect to the raising of capital. However, additional funding may not be available to us on reasonable terms, if at all. The perceived risk associated with the possible sale of a large number of shares of our common stock could cause some of our stockholders to sell their stock, thus causing the price of our stock to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated issuance of stock could cause some institutions or individuals to engage in short sales of our common stock, which may itself cause the price of our stock to decline. We may be unable to raise additional capital if our stock price is too low. A sustained inability to raise capital could force us to limit or curtail our operations.

We expect the level of our future operating expenses to be driven by the needs of our research and development and marketing programs, offset by the availability of funds. In addition, we have since inception taken steps to keep our expenses relatively low and conserve available cash until we begin generating sufficient operating cash flow.

Sources of Capital: Our principal sources of capital for funding our business activities have been the private placements of debt and equity securities. During the nine months ended September 30, 2019, we did not issue shares of our common stock.

Uses of Capital: Over the past several years, we have scaled our development activities to the level of available cash resources. Our plans with respect to future staffing will be dependent upon our ability to raise additional capital. We have not entered into any off-balance sheet arrangements which would have resulted in our use of capital.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

N/A

ITEMS 4 AND 4T. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer has concluded that our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information required to be disclosed is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Controls over Financial Reporting

At December 31, 2018, management of the Company provided a report on internal controls over financial reporting. Reference should be made to our annual report on Form 10-K for that report, wherein we reported that management's assessment at December 31, 2018 was that the Company's internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

In connection with the preparation of the consolidated financial statements for the year ended December 31, 2018, our management identified the existence of certain significant internal control deficiencies that they considered to be material weaknesses. In particular, the following weaknesses in our internal control system were identified at December 31, 2018: (1) a lack of segregation of duties; (2) the lack of timely preparation of certain back up schedules; (3) finance staff's lack of sufficient technical accounting knowledge; (4) a lack of independent Board oversight; and (5) signing authority with respect to corporate bank accounts. A material weakness is a significant deficiency in one or more of the internal control components that alone or in the aggregate precludes our internal controls from reducing to an appropriately low level of risk that material misstatements in our financial statements will not be prevented or detected on a timely basis. We considered these matters in connection with the period-end closing of accounts and preparation of the related consolidated financial statements and determined that no prior period financial statements were materially affected by such matters.

Our size has prevented us from being able to employ sufficient resources at this time to enable us to have an adequate level of supervision and segregation of duties within our internal control system. We will continue to monitor and assess the costs and benefits of additional staffing within the Company.

We were unable to eliminate the identified weaknesses with respect to the period covered by this report. Set forth below is a discussion of the significant internal control deficiencies which have not been remediated.

Lack of segregation of duties. Since commencing the development phase of our operations in August 1999, our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties within our internal control system. Our accountant is the only person involved in the data entry function, and since the departure of our chief financial officer in 2008, our chief executive officer has assumed the role of chief financial officer. We are inadequately staffed at this time to ensure a sufficient level of segregation of duties. As a result, this significant internal control deficiency had not been remediated as of the end of the period covered by this report, nor do we know if we will be able to remediate this weakness in the foreseeable future. However, we will continue to monitor and assess the costs and benefits of additional staffing.

Lack of timely preparation of back up schedules. Throughout 2018, we were able to complete most of our back up schedules in a timely manner, however, during this time we consistently experienced a lack of complete preparedness at the time our external independent accountants commenced their field work on a quarterly basis. As such, we believe that this material weakness had not been remediated as of the end of the period covered by this report. Inasmuch as this deficiency is related to our lack of adequate staffing, which is a condition which our size prohibits us from remediating, we do not know if we will be able to remediate this weakness in the foreseeable future. We will continue to review our interim procedures, and to make changes wherever practicable to assist in remediating this deficiency.

Finance staff's lack of sufficient technical accounting knowledge. Due to the limited number of personnel, our finance staff does not have sufficient technical accounting knowledge to address all complex and non-routine accounting transactions that may arise. These transactions are sometimes extremely technical in nature and require an in-depth understanding of generally accepted accounting principles. As a result of this pervasive deficiency, these types of transactions may not be recorded correctly, potentially resulting in material misstatements of the financial statements of the Company. To address this risk, the Company has a control whereby it consults with its auditors and advisors, as needed, in conjunction with the recording and reporting of complex and non-routine accounting transactions. Management has concluded that this control was operating effectively during the preceding year, as the Company consulted with external advisors on certain complex and non-routine transactions resulting in no material misstatements being identified during the year end audit. Although management has determined that this control was operating effectively during the year ended

December 31, 2018, the finance staff's lack of sufficient technical accounting knowledge nonetheless remains a continued weakness in our internal control system. Any changes in the staff complement will be dependant upon the growth of our operations and the number of our staff to allow further technical accounting knowledge to address all complex and non-routine accounting transactions. Management will continue to review existing consultation controls and, if appropriate, implement changes to its current internal control processes whereby more effective consultation will be performed.

Lack of independent Board oversight. Our Board of Directors consists of only one individual who is also the Company's sole signing officer. We have experienced difficulties in identifying suitable candidates to serve as independent Board members because of our size, the perceived additional liability to the public by prospective candidates and the excessive additional costs associated with the selection of a candidate including director fees and director liability insurance. As such, our Board lacks the controls, depth of knowledge and perspective that such independence would provide.

Signing authority with respect to corporate bank accounts. Since the departure of our Chief Financial Officer and Treasurer in July 2008, the positions of Director, President, Chief Executive Officer, Chief Financial Officer, Executive Vice President, Secretary and Treasurer have been held by one person. This individual has sole signing authority for the Company's bank accounts. Our Accountant monitors our bank accounts on a regular basis, however there can be no assurance that unauthorized or unsupported transactions will not occur.

If we are unable to remediate the identified material weakness, there is a more than remote likelihood that a material misstatement to our SEC reports will not be prevented or detected, in which case investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our ability to raise additional capital and could also have an adverse effect on our stock price.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1a. Risk Factors

In addition to other information set forth in this Report, you should carefully consider the risk factors previously disclosed in "Item 1A. to Part 1" of our Annual Report on Form 10-K for the year ended December 31, 2018. There were no material changes to these risk factors during the nine months ended September 30, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities

We failed to settle certain of our 10% senior convertible notes and our promissory notes, plus accrued interest thereon when they matured on various dates between October 1, 2008 and December 31, 2018. A significant amount of these notes remained unpaid as of September 30, 2019, and were therefore in default and due and payable on demand. Additionally, in accordance with the default provisions of the notes, this failure to settle the matured notes resulted in the remaining 10% senior convertible notes and accrued interest thereon becoming also due and payable on demand. Notwithstanding our obligation to repay these amounts immediately, the note holders have verbally communicated to management their willingness to continue holding the notes until new terms are negotiated. We will accrue interest on these unpaid balances at the coupon rate until a settlement is reached.

Until such time as the matured notes plus accrued interest thereon are settled, all of the 10% senior convertible notes and the promissory notes will remain in default.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

(a) Exhibits.

31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 formatted in Extensible Business Reporting Language (XBRL): (i) the Balance Sheets, (ii) the Statements of Operations, (iii) the Statements of Cash Flows, and (iv) Notes to Financial Statements

SIGNATURES

In accordance with requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALIDIAN CORPORATION

By: /s/ Bruce Benn
Bruce Benn

President, Chief Executive Officer
and Chief Financial officer
(principal executive officer)

Dated: November 14, 2019

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Bruce Benn
Bruce Benn

President, Chief Executive Officer
and Chief Financial officer
(principal financial and accounting officer)

Dated: November 14, 2019

EX-31 2 ex31a.htm CERTIFICATION

Exhibit 31.1

CERTIFICATION

I, Bruce Benn, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Validian Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

  (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

  (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

  (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

  (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

  (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

  (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2019

/s/Bruce Benn
Bruce Benn
Chief Executive Officer

EX-31 3 ex31b.htm CERTIFICATION

Exhibit 31.2

CERTIFICATION

I, Bruce Benn, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Validian Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2019

/s/Bruce Benn
Bruce Benn
Chief Financial Officer

EX-32 4 ex32a.htm CERTIFICATION

Exhibit 32.1

CERTIFICATION

I, Bruce Benn, Principal Executive Officer of Validian Corporation (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 hereby certify, to the best of my knowledge, in connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission (the "Report") on the date hereof, that:

The Report fully complies with the requirements of Section 13(a) or 15(d), of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2019

/s/Bruce Benn
Bruce Benn
President and Chief Executive Officer

EX-32 5 ex32b.htm CERTIFICATION

Exhibit 32.2

CERTIFICATION

I, Bruce Benn, Principal Financial Officer of Validian Corporation (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 hereby certify, to the best of my knowledge, in connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission (the "Report") on the date hereof, that:

The Report fully complies with the requirements of Section 13(a) or 15(d), of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2019

/s/Bruce Benn
Bruce Benn
Chief Financial Officer