BREAKING DATA CORP.

CONSOLIDATED
FINANCIAL STATEMENTS

Years ended
January 31, 2017 and 2016

BREAKING DATA CORP.

MANAGEMENT'S REPORT

These consolidated financial statements form the basis for all of the financial information that appears in this report. The consolidated financial statements and all the information in this report are the responsibility of the management of Breaking Data Corp. and have been reviewed and approved by the Board of Directors. The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities. MNP LLP, the Company's auditors, has audited these consolidated financial statements.

Management has prepared the consolidated financial statements according to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Under these standards, management has made certain estimates and assumptions that are reflected in the consolidated financial statements and notes. Management believes that these consolidated financial statements fairly present Breaking Data Corp.'s consolidated statements of financial position, statements of loss and comprehensive loss, changes in shareholders' equity and cash flows. In order to ensure the accuracy and objectivity of information included in the consolidated financial statements, management has implemented a system of internal controls designed to provide reasonable assurance that the consolidated financial statements are accurate and complete in all material respects. Management is of the opinion that these internal controls provide reasonable assurance regarding complete and accurate maintenance of accounting records necessary for the preparation of the consolidated financial statements.

The Board of Directors exercises its responsibility over the consolidated financial statements through the Company's Audit Committee. The Audit Committee reviews the consolidated financial statements and recommends their approval to the Board of Directors.

Per: *"Marvin Igelman"*	*"David Berman"*
Marvin Igelman	David Berman
Vice-Chairman	Chief Financial Officer

Date: May 30, 2017

Independent Auditors' Report

To the Shareholders of Breaking Data Corp.

We have audited the accompanying consolidated financial statements of Breaking Data Corp., which comprise the consolidated statements of financial position as at January 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Breaking Data Corp. as at January 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
May 30, 2017

MNP LLP

Breaking Data Corp.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian Dollars)	**As at January 31, 2017**	As at January 31, 2016
ASSETS	**$**	$
Current assets		
Cash	**3,396,953**	920,352
Trade and other receivables (Note 14)	**100,363**	293,727
Prepaid expenses, deposits and other assets (Note 13)	**161,378**	317,502
	3,658,694	1,531,581
Intangible assets (Note 3)	**100,322**	1,671,710
	3,759,016	3,203,291
LIABILITIES		
Current liabilities		
Trade payables and other payables (Notes 4, 11 and 14)	**298,302**	402,271
Deferred revenue	**87,119**	119,866
Debentures (Notes 4 and 14)	**345,000**	1,208,127
	730,421	1,730,264
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	**17,596,303**	15,453,035
Warrants (Note 7)	**3,776,869**	1,764,768
Contributed surplus (Notes 6 and 8)	**8,840,278**	7,200,378
Deficit	**(27,048,263)**	(23,057,936)
Accumulated other comprehensive income	**(136,592)**	112,782
	3,028,595	1,473,027
	3,759,016	3,203,291

COMMITMENTS (Note 15)

ON BEHALF OF THE BOARD:

"Marvin Igelman" *"Roger Rai"*

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

Breaking Data Corp.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Expressed in Canadian Dollars)	**Year ended January 31, 2017**	**Year ended January 31, 2016**
	$	$
Revenue	**1,087,148**	1,334,447
Expenses		
Employee salary and benefits expense	**757,886**	870,005
Stock-based compensation (Note 6)	**631,498**	868,921
Promotion and marketing	**486,964**	1,868,639
Research and development consultant's compensation (Note 11)	**442,412**	631,610
Management consulting compensation (Note 11)	**420,000**	420,000
Amortization of intangibles (Note 3)	**374,846**	389,812
Accretion on debentures (Note 4)	**189,599**	113,662
Administration and operations	**174,517**	401,600
Business development consultant's compensation (Note 11)	**156,048**	557,685
Professional fees	**129,457**	104,028
Application content expense	**57,654**	180,196
Interest on debentures (Note 4)	**44,773**	28,272
Total Expenses	**3,865,654**	6,434,430
NET LOSS BEFORE GAIN ON SALE OF ASSETS, INTEREST EARNED, IMPAIRMENT OF GOODWILL AND WRITE-OFF OFF INTELLECTUAL PROPERTY	**(2,778,506)**	(5,099,983)
Gain on sale of asset (Note 3)	**-**	127,211
Interest earned	**1,379**	-
Write-off intellectual property (Note 3)	**(1,213,200)**	-
NET LOSS FOR THE YEAR	**(3,990,327)**	(4,972,772)
Items that may be reclassified subsequently to loss		
Cumulative translation adjustment	**(249,374)**	93,584
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(4,239,701)**	(4,879,188)
Basic and diluted loss per share (Note 9)	**(0.81)**	(1.21)
Weighted average number of shares	**4,943,031**	4,121,849

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

Breaking Data Corp.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended January 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Common Shares						
	Number	Amount $	Warrants $	Contributed Surplus $	Accumulated other comprehensive income $	Deficit $	Total Shareholders' Equity $
Balance, February 1, 2015	**2,909,563**	**12,079,086**	**225,048**	**6,122,139**	**19,198**	**(18,085,164)**	**360,307**
Shares and warrants issued related to private placement on February 12, 2015, net of issue costs (Note 5(a))	428,572	1,467,737	-	-	-	-	1,467,737
Warrants for 4,285,714 shares issued related to private placement on February 12, 2015 (Notes 5(a))	-	(710,949)	710,949	-	-	-	-
Shares issued for debt (Note 5(b))	42,857	150,000	-	-	-	-	150,000
Equity portion of convertible debt (Notes 4(c) and 5(c))	-	70,608	70,300	-	-	-	140,908
Residual value of convertible debt and capitalized finance costs (Note 4(d) and 5(g))	-	65,810	-	-	-	-	65,810
Shares and warrants issued related to private placement on March 12, 2015, net of issue costs (Note 5(d))	812,500	3,215,282	-	-	-	-	3,215,282
Warrants for 8,125,000 shares issued related to private placement on March 12, 2015 (Notes 5(d) and 7(a))	-	(1,008,402)	1,008,402	-	-	-	-
Exercise of options (Notes 5(e) and 6(c))	2,500	31,480	-	(15,730)	-	-	15,750
Exercise of warrants (Note 5(f) and 7(b))	15,000	92,383	(24,883)	-			67,500
Expiration on warrants	-	-	(225,048)	225,048	-	-	-
Stock-based compensation (Notes 6 and 8)	-	-	-	868,921	-	-	868,921
Cumulative translation adjustment	-	-	-	-	93,584	-	93,584
Net loss for the year	-	-	-	-	-	(4,972,772)	(4,972,772)
Balance, January 31, 2016	**4,210,992**	**15,453,035**	**1,764,768**	**7,200,378**	**112,782**	**(23,057,936)**	**1,473,027**

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

For the year ended January 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Common Shares						
	Number	Amount $	Warrants $	Contributed Surplus $	Accumulated other comprehensive income $	Deficit $	Total Shareholders' Equity $
Balance, February 1, 2016	**4,210,992**	**15,453,035**	**1,764,768**	**7,200,378**	**112,782**	**(23,057,936)**	**1,473,027**
Shares and warrants issued related to private placement on October 31, 2016, net of issue costs (Note 5(i))	2,777,770	4,453,213	-	-	-	-	4,453,213
Warrants for 27,777,700 shares issued related to private placement on October 31, 2016 (Notes 5(i))	-	(2,164,675)	2,164,675	-	-	-	-
Broker Warrants for 27,777,700 shares issued related to private placement on October 31, 2016 (Notes 5(i))	-	(791,970)	791,970	-	-	-	-
Shares issued for conversion of debenture on November 30, 2016 (Note 4(c) and 5(j))	131,579	500,000	-	-	-	-	500,000
Shares and warrants issued for the conversion of debt on November 30, 2016 (Notes 4(d), 5(k) and 7(a))	28,571	68,821	31,179	-	-	-	100,000
Shares and warrants issued for the conversion of debt on December 5, 2016 (Notes 4(d), 5(c) and 7(a))	30,000	72,321	32,679	-	-	-	105,000
Stock-based compensation (Notes 6(a) and 8)	-	-	-	631,498	-	-	631,498
Expiration on warrants (Note 7(c))	-	-	(1,008,402)	1,008,402	-	-	-
Equity portion of convertible debt (Note 5(h))	-	5,558	-	-			5,558
Cumulative translation adjustment	-	-	-	-	(249,374)	-	(132,334)
Net loss for the year	-	-	-	-	-	(3,990,327)	(4,107,367)
Balance, January 31, 2017	**7,178,912**	**17,596,303**	**3,776,869**	**8,840,278**	**(136,592)**	**(27,048,263)**	**3,028,595**

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

Breaking Data Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars)	**Year ended January 31, 2017**	Year ended January 31,2016
CASH FLOWS FROM:	**$**	$
OPERATING ACTIVITIES		
Net loss for the year	**(3,990,327)**	(4,972,772)
Items not affecting cash		
Amortization of intangible assets (Note 3)	**374,846**	389,812
Accretion of debentures (Note 4)	**189,599**	113,662
Stock-based compensation (Note 6)	**631,498**	868,921
Unrealized foreign exchange (gain) loss (Note 3)	**(132,334)**	50,174
Impairment of goodwill (Note 3)	**-**	-
Common shares issued for interest	**-**	-
Write-down of intellectual property (Note 3)	**1,213,200**	-
Net change in non-cash working capital items related to operations (Note 10)	**212,772**	(535,273)
Cash used for operating activities	**(1,500,746)**	(4,085,476)
FINANCING ACTIVITIES		
Proceeds from debentures (Note 4)	**50,000**	950,000
Repayment of debentures (Note 4)	**(363,762)**	(1,090,000)
Proceeds from exercised options and warrants (Notes 5 and 6)	**-**	83,250
Proceeds from the issuance of common shares and share purchase warrants, net of issuance costs (Note 5)	**4,453,213**	4,683,019
Cash provided by financing activities	**4,139,451**	4,626,269
INVESTING ACTIVITIES		
Additions in intangible assets (Note 3)	**(28,147)**	(31,078)
Cash provided by (used) in investing activities	**(28,147)**	(31,078)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(133,957)**	30,641
INCREASE IN CASH FOR THE YEAR	**2,476,601**	540,356
CASH, BEGINNING OF YEAR	**920,352**	379,996
CASH, END OF YEAR	**3,396,953**	920,352

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

1. BASIS OF PRESENTATION

Nature of operations -

Breaking Data Corp. ("BDC" or the "Company") is a technology provider of a range of Artificial Intelligence ("AI") services including; semantic search, machine learning and natural language processing ("NLP"). The Company's technology platform has many practical applications, in multiple business and consumer verticals that are immersed in massive media and data rich settings. The Company's showcase app, BreakingSports, utilizes AI, semantic machine learning and NLP to track social media in a fully automated, real-time manner for significant sports information and events and distributes summarized information through real-time push notifications to consumers.

Breaking Data, through its wholly-owned subsidiary Poynt Inc., also markets its Poynt App. Poynt Inc. has 2 wholly owned U.S. subsidiaries, Unomobi Inc. and Innovative Fund III LLC, that are inactive but remain holding companies for the various patents of the Company.

In addition, through its wholly-owned subsidiary, Devesys Technologies, Inc. ("DTI"), the Company develops case management, tracking and reporting systems for Fortune 500 companies. DTI's product line consists of TrakBasic(R), TrakEnterprise(R), and TrakWeb(TM).

The registered address, head office, principal address and records office of the Company is located at 64 Jardin Drive, Suite 2A, Concord, Ontario L4K 3P3.

Effective September 9, 2015, at an Annual and Special Meeting of Shareholders, the Company approved a change of its name to Breaking Data Corp., effective immediately.

Subsequent to the fiscal year ended January 31, 2017, on April 10, 2017, the Company completed a Reverse-Take-Over transaction (the "RTO") with Sports News Media Holding Inc. and concurrent with the closing of this transaction also completed a financing for $5 million with issuance of 1,250,000 units at a price of $4.00. Each Unit is comprised of one common share and one-half of one warrant, with each whole warrant exercisable into a common share of until April 6, 2019 at an exercise price of $7.00 per share. On April 13, 2017, pursuant to a resolution passed by shareholders on March 31, 2017, the Company has consolidated its capital on a ten old for 1 new basis. These consolidated financial statements reflect the share consolidation.

While the Company currently has operating capital for this fiscal year and beyond, it has still not achieved sustained profitability and positive cash flow and may still be dependent on financing in the future. The consolidated financial statements do not include any adjustments to reflect any events since January 31, 2017 or the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from this uncertainty. Consequently, the Company will be required to seek further non-operational sources of financing, and succeed in making its operations profitable. Subsequent to January 31, 2017, the Company completed the acquisition of Sports New Media Holdings Limited and completed a private placement for gross proceeds of $5,000,000.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2017.

Basis of presentation

The accompanying consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency, and include the accounts of DTI and Poynt Inc., translated into Canadian dollars. All significant intercompany accounts and transactions have been eliminated.

Comparative figures

For comparative purposes, certain prior period balances have been reclassified to conform to the current presentation.

Basis of measurement

The accompanying consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as discussed elsewhere in Note 2.

Foreign currency

Items included in the individual financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of Poynt and DTI is the US dollar. The financial statements of Poynt and DTI are translated into Canadian dollars as follows: monetary and non-monetary assets and liabilities are translated at the closing rate at the end of the reporting period, and income and expenses are translated at the average rates of the period as this is considered a reasonable approximation to actual rates. All resulting changes, to the extent that these are material, are recognized in other comprehensive loss as translation adjustments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

Within each individual entity, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the consolidated statements of loss and comprehensive loss.

For the year ended January 31, 2017, the Company recognized a foreign exchange gain of $193,708 (2016 – gain of $51,128), which is included in "Administration and operations" on the consolidated statements of loss and comprehensive loss.

Research and development

The Company engages in research and development activities. Expenditures on research are recognized as an expense in the period in which these are incurred. An intangible asset arising from development is recognized if and only if the Company has demonstrated all of the following:

a) The technical feasibility of completing the intangible asset so that it will be available for use;

b) The Company's intention to complete the intangible patent asset and use it;

c) The Company's ability to use the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial or other resources needed to complete development and use the intangible asset; and

f) The Company's ability to reliably measure the expenditures attributable to the intangible asset during its development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Any gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss. For the year ended January 31, 2017, the Company capitalized development costs of $nil (2016 - $nil).

Intangible assets and goodwill

The Company's intangible assets are comprised of deferred patent costs, related to patents not yet granted, patents, and other intangible assets related to the acquisition of Poynt, specifically, intellectual property, the user base, the brand and trade name and goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets and goodwill (continued)

The Company capitalizes the costs of intangible assets if and only if:

a) It is probable that the expected future economic benefits attributable to the asset will flow to the entity; and

b) The cost of the asset can be measured reliably.

With the acquisition of Poynt completed on July 30, 2013, the Company commissioned an independent valuation of the assets in order to assign values to the intellectual property, the user base, the brand and trade name and goodwill.

The Poynt intellectual property and Poynt user base is amortized over its useful life of six years. The Poynt brand and trade name and the goodwill are all indefinite life intangible assets and accordingly are not amortized but are assessed for impairment on an annual basis.

For the year ended January 31, 2017, the Company capitalized intangible assets of $30,638 (2016 - $31,078).

Impairment testing of intangible assets and goodwill

The Company's deferred patent costs, patents, the Poynt intellectual property, the Poynt user base and other intangible assets are subject to amortization and are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the cash-generating unit level that is the lowest level for which there are largely independent cash inflows. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value-in-use.

To determine the value-in-use, management estimates expected future cash flows and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit ("CGU") and reflect their respective risk profiles as assessed by management.

Impairment losses recognized in respect of cash generating units are allocated first to reducing the carrying amount of any goodwill allocated to the CGUs (or group of CGUs) and then to reducing the carrying amount of the other assets in the CGU (or group of CGUs) on a pro-rata basis. Long-lived assets, other than goodwill, that suffer impairment are reviewed for possible reversal of the impairment at the end of each reporting period. For such assets, an impairment charge is reversed if the CGUs or individual asset's recoverable amount exceeds its carrying amount, to the extent that the revised carrying amount does not exceed the amount that would have existed in the absence of any impairment charge.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment testing of intangible assets and goodwill (continued)

As at January 31, 2017, the Company has recorded the write-down of intangible assets of $1,213,200 (2016 - $nil) and impairment of goodwill of $nil (2016 - $nil). This impairment is primarily related to the significant reduction in revenues during the fiscal year and the reduction in monthly active users.

Provisions

Provisions are recognized when the Company has a present legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Additionally, the Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Onerous Contracts:
A provision for onerous contracts would be recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision would be measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company would recognize any impairment loss on the assets associated with the contract.

Revenue recognition

The Company's revenue comprises advertising revenues derived from its Poynt app, sales of software licenses, sales of software maintenance agreements ("SMAs"), software customization services, technical support services, consulting services and interest earned on short-term investments.

The Company recognizes revenue at the time the significant risks and rewards of ownership have been transferred to the customer or the services have been performed, the price is fixed or determinable, collectability is reasonably assured, and costs incurred or to be incurred can be measured reliably. Revenue is measured based on the price specified in the sales contract, net of discounts.

The Company recognizes advertising revenue from the Poynt app as it is earned based on monthly reporting and reconciliation with the customers. Cost of revenue associated with advertising revenues on the Poynt app consist of data feed costs incurred to provide the service and advertising to the end user of the Poynt app. These costs are recorded in the period incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from the licensing of software products is recognized when the Company has delivered the software and has satisfied all contractual obligations. The fair value of SMAs included with the licenses is deferred and recognized on a straight-line basis over the term of the contract. Revenue from the sale of stand-alone SMAs is also deferred and recognized on a straight-line basis over the term of the contract. These contracts are normally of one year in duration. Cash received in respect of the SMAs prior to the recognition of revenue is included in deferred revenue.

The Company recognizes revenue relating to custom software development, consulting and technical support services as it is earned based on when the work has been completed. Cost of revenue associated with these services relate to payroll and consulting costs.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax on income is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred taxes (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Equity

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Contributed surplus includes amounts in connection with conversion options embedded in compound financial instruments, stock-based compensation and the value of expired options and warrants. Deficit includes all current and prior period income and losses.

Warrants

The Company accounts for warrants using the Black-Scholes pricing model at the date of issuance. If and when warrants ultimately expire, the applicable amounts are transferred to contributed surplus.

Stock-based compensation

The Company has a stock option plan for directors, officers and employees. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over each tranche's vesting period, based on the number of awards expected to vest, with the offset credited to contributed surplus. The number of awards expected to vest is reviewed quarterly, with any impact being recognized immediately. When options are exercised, the amount received is credited to share capital and the fair value attributed to these options is transferred from contributed surplus to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgment

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the amounts reported in the accompanying audited consolidated financial statements and notes to those statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates. Areas where estimates are significant to these consolidated financial statements are as follows:

(a) Goodwill and intangibles with indefinite useful lives is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (software, trade name and customer relationships) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statement of comprehensive loss. The assessment of fair values requires the use of estimates and assumptions related to future operating performance and discount rates, differences in these estimates and assumptions could have a significant impact on the consolidated financial statements. For the year ended January 31, 2017, the Company has recognized intangibles impairment of $1,213,200 (2016 - $nil). See note 3 for further information on the annual goodwill impairment test.

(b) Significant judgment is involved in the determination of useful life for the computation of depreciation of equipment and amortization of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.

(c) The estimates used in determining the stock option and warrant fair values, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model.

<u>Financial assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized in other comprehensive income and in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Other financial liabilities: This category includes all other financial liabilities all of which are recognized at amortized cost using the effective interest method.

The Company's financial instruments consist of the following:

Financial assets:	**Classification:**
Cash	Fair value through profit or loss
Trade and other receivables	Loans and receivables

Financial liabilities:	**Classification:**
Trade payables and other payables	Other financial liabilities
Debentures	Other financial liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial instruments recorded at fair value in the consolidated statements of financial position are classified according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's cash is classified using Level 1 inputs.

Impairment - financial assets

Financial assets other than those carried at fair value through profit or loss are assessed at the end of each reporting period to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company maintains an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than the full amount due on its trade receivables. The Company considers evidence of impairment for receivables at both a specific asset and a collective level. All individually significant receivables are assessed for specific impairment. Individual overdue accounts are reviewed, and allowances are recorded against trade receivables, when known that they are not collectible in full. All individually significant receivables found not to be specifically impaired are collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses, if any, are recognized in profit or loss and are reflected in a reduction in the carrying value of the asset. Interest on the impaired asset continues to be recognized through the accretion of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed during the period of that event.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Basic loss per share is calculated on the basis of losses attributable to the holders of common shares, divided by the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares are exercised or converted to common shares. Diluted loss per share is equal to basic loss per share when the effect of dilutive securities is anti-dilutive.

Recent accounting pronouncements

IFRS 9 was initially issued in November 2009 and issued in its final form in July 2014, and will replace IAS 39 Financial instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The effective date of IFRS 9 is January 1, 2018. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2018 and has not yet considered the potential impact of the adoption of IFRS 16.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. Management is in the process of determining the extent of the impact of adoption of IFRS 15 and the possibility of early adoption.

IFRS 16, “Leases”, will be effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on balance sheet for lessees. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2019 and has not yet considered the potential impact of the adoption of IFRS 16.

(Expressed in Canadian Dollars)

3. INTANGIBLE ASSETS AND GOODWILL	**Total Deferred Patent Costs $**	**Intellectual Property $**	**Poynt user base $**	**Poynt brand and trade name $**	**Total $**
Cost					
As at January 31, 2015	**345,301**	**1,205,000**	**745,000**	**185,000**	**2,480,301**
Additions	31,078	-	-	-	31,078
Foreign translation adjustment	62,943	-	-	-	62,943
As at January 31, 2016	**439,322**	**1,205,000**	**745,000**	**185,000**	**2,574,322**
Additions	28,147	-	-	-	28,147
Foreign translation adjustment	(11,205)	-	-	-	(11,205)
As at January 31, 2017	**456,264**	**1,205,000**	**745,000**	**185,000**	**2,591,264**
					-
Amortization and impairment					-
As at January 31, 2015	**25,300**	**301,250**	**186,250**	**-**	**512,800**
Amortization	64,812	200,833	124,167	-	389,812
Impairment	-	-	-	-	-
As at January 31, 2016	**90,112**	**502,083**	**310,417**	**-**	**902,612**
Amortization	55,034	195,929	124,167		375,130
Impairment	210,796	506,988	310,416	185,000	1,213,200
As at January 31, 2017	**355,942**	**1,205,000**	**745,000**	**185,000**	**2,490,942**
Net Book Value					
As at January 31, 2015	**320,001**	**903,750**	**558,750**	**185,000**	**1,967,501**
As at January 31, 2016	**349,210**	**702,917**	**434,583**	**185,000**	**1,671,710**
As at January 31, 2017	**100,322**	**-**	**-**	**-**	**100,322**

3. INTANGIBLE ASSETS AND GOODWILL (continued)

Poynt Inc. is regarded as its own Cash Generating Unit, as it is the smallest identifiable group of assets that generates cash inflows, which consists of the Poynt user base, brand and trade name and goodwill as listed above. Upon the acquisition of Poynt, management expected to achieve certain operational and developmental synergies with other activities of the Company as well as benefit from the economic value of the workforce acquired, none of which met the criteria for separate recognition and thus had been recognized as goodwill. In performing their annual impairment assessment, as at January 31, 2015, specifically for the goodwill and the indefinite life intangibles in the Poynt CGU, management determined that due to recent developments the Company was planning to focus on developing other applications. Consequently, some of the underlying significant estimates inherent in the initial recognition and measurement of the intangibles were determined to no longer be appropriate. Specifically, in performing the annual impairment test it was found that the growth in revenues and users projected at the time of the acquisition were no longer substantiated by actual and forecast financial results.

Using a five year (and related terminal value) discounted future cash flow model, the Company determined the recoverable amount by calculating its value in use. The recoverable amount of the CGU was determined to be below its carrying value as at January 31, 2015. The Company recorded a full impairment charge for goodwill of $1,094,023 on that date. No further impairment of the Poynt CGU was deemed necessary based on the results of the January 31, 2016 impairment analysis.

The key assumptions used in the discounted future cash flow model in fiscal 2016 and 2015 included projections surrounding pricing, competition, market trends and growth rates. The model used a post-tax discount rates of 26.5% (2015 – 19.5%). Management believes that the discount rate reasonably reflects the risks associated with cash flow projections for the business.

On July 14, 2015, the Company entered into a Domain name assignment agreement, thereby transferring all rights, title and interests in certain URLs owned by the Company for $100,000US ($127,211CAD). There was no cost base associated with these domain names and the transaction was recorded as a gain on sale of assets. There was no impact on the Company's business resulting from this sale of these domain names, beyond the receipt of a cash payment.

At the end of fiscal 2017, the Company evaluated the discounted future cash flow model and the user base of Poynt Inc. As a result of a significant loss in revenues towards the end of fiscal 2017 and the steady erosion of the Poynt app user base, it was determined that the intellectual property, Poynt user base and Poynt brand and trade name were significantly impaired. Consequently, the Company recorded an impairment charge of $1,213,200 to write down these Poynt intangible assets to $Nil.

4. DEBENTURES

Debenture date	**July 30, 2013 (a)**	**August 22, 2014 (b)**	**February 12, 2015 (c)**	**January 18, 2016 (d)**	**Total**
Balance, January 31, 2015	**909,862**	**481,147**	**$ -**	**$ -**	**1,391,009**
Face value of debenture upon issuance	$ -	$ -	$500,000	$500,000	$1,000,000
Less: Discount	-	-	(140,908)	(115,810)	(256,718)
Book value of the debenture on initial recognition	-	-	359,092	384,190	743,282
Accretion expense during the year	22,132	18,853	68,044	4,633	113,662
Balance of debenture prior to repayments	931,994	500,000	427,136	388,823	2,247,953
Repayments during the year	(590,000)	(500,000)	-	-	(1,090,000)
Foreign translation adjustment	50,174	-	-	-	50,174
Balance, January 31, 2016	**392,168**	**-**	**427,136**	**388,823**	**1,208,127**
Face value of debenture upon issuance	-	-	-	50,000	50,000
Less: Discount	-	-	-	(5,558)	(5,558)
Accretion expense during year	-	-	72,864	116,735	189,599
Balance of debenture prior to repayments	392,168	-	500,000	550,000	1,442,168
Repayments during the year	(363,762)		-	-	(363,762)
Conversion to share capital during year	- -	-	(500,000)	(205,000)	(705,000)
Foreign translation adjustment	(28,406)	-	-	-	(28,406)
Balance, January 31, 2017	**-**	**-**	**-**	**345,000**	**345,000**

a) On July 30, 2013, the Company issued two identical debentures for $1,250,000 as part of the consideration for the business acquisition of Poynt. The debentures bore interest at 6.5% per annum and matured in two years. The fair values of debentures were determined to be $2,324,712 based on the discounted cash flows using an estimated cost of borrowing of 18%. The Company repaid $590,000 during the year ended January 31, 2016. The debentures were due January 31, 2016 with no requirements for prepayment and with interest payable semi-annually in either shares or cash at the Company's discretion. During the previous year both debenture notes were assumed by a new lender who bought them at face value in U.S. dollars. As a result, the notes are were repayable in U.S. dollars and the Company recorded a year end adjustment of $28,406 (January 31, 2016 - $50,174). Prior to the maturity date the new lender extended the debenture on a monthly basis with all other terms of repayment and interest remaining the same. The Company repaid $363,762 during the year ended January 31, 2017, thus the debenture was fully repaid at January 31, 2017.

4. DEBENTURES (continued)

Accretion expense on the debenture for the year ended January 31, 2017 was $nil (January 31, 2016 - $22,132).

Interest expense on the debenture for the year ended January 31, 2017 was $10,340 (January 31, 2016 - $25,566). Interest payable as at January 31, 2017 was $nil (January 31, 2016 - $25,566) and has been accrued and included in trade payable and other payables.

b) On August 22, 2014, the Company issued two identical debentures for $250,000. The debentures bore interest at 10% per annum and matured on August 22, 2015. In connection with the issuance of the $500,000 secured debentures, the Company issued 66,667 common shares to the holder of the debenture. The Company allocated the total proceeds received between the debenture and the common shares. The fair value of debenture was determined to be $466,102 based on the discounted cash flows using an estimated cost of borrowing of 18%. The residual value of $33,898 was allocated to the share capital. On February 18, 2015, the Company fully repaid the $500,000 outstanding.

During the year ended January 31, 2017, accretion on the debenture was $nil (January 31, 2016 – $18,853).

Interest expense and payable on the debentures for the year ended January 31, 2017 was $nil (January 31, 2016 – $2,706) and was paid in full on February 18, 2015.

c) On February 12, 2015, the Company issued a convertible debenture for $500,000 which is convertible into common shares of the Company at a conversion price of $3.80 until maturity. The debenture bore no interest and matured in 24 months. In connection with the issuance of the $500,000 convertible debenture, the Company issued 131,579 warrants, with each warrant exercisable into a common share of the Company at an exercise price of $5.00 per share for a period of 24 months. The Company allocated the total proceeds received between the debenture and Share Capital and Warrants in order to account for the conversion feature (Note 5(c)). The fair value of the debenture was determined to be $359,092 based on the discounted cash flows using an estimated cost of borrowing of 18%. The residual value of $140,908 was allocated to Share capital ($70,608) and Warrants ($70,300). On November 30, 2016, the Company converted the outstanding debenture balance of $500,000 with the issuance of 131,579 shares at the conversion price of $3.80.

Accretion expense on the debenture for the year ended January 31, 2017 was $72,864 (January 31, 2016 – $68,044) with a corresponding credit to the debenture.

(Expressed in Canadian Dollars)

4. DEBENTURES (continued)

d) On January 18, 2016, the Company issued a $500,000 principle amount secured convertible debenture financing with the lender making a further $500,000 available for drawdown under the convertible debenture, at the Company's option, during the term of the convertible debenture. In connection with the debenture the Company paid a $50,000 lending fee which was included in the calculation of the fair value of the debenture and determined to be $384,190 based on the discounted cash flows using an estimated cost of borrowing of 26.5%.
The residual value of $65,810 was allocated to share capital.

On June 2, 2016, the Company drew an additional $50,000 under the convertible debenture. In connection with this additional amount the fair value was determined to be $44,442 based on the discounted cash flows using an estimated cost of borrowing of 26.5%. The residual value of $5,558 was allocated to share capital.

The key terms of the convertible debenture are as follows: one year term; interest of 8% per annum; secured against the assets of the Company; and, convertible into units of the Company at a conversion price of $3.50 per unit, with each unit comprised of one common share and one-half of one warrant, with each full warrant exercisable into a common share at an exercise price of $5.00 per share for a period of 12 months from conversion of the debenture.

On November 30 and December 5, 2016, the Company converted $100,000 and $105,000 of the debenture with issuance of 28,571 and 30,000 units respectively, at a price of $3.50 per unit. Each unit was comprised of one common share in the capital of the Company and one half of one Common Share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share at a price of $5.00 for a period of 24 months. The outstanding convertible debenture balance as of January 31, 2017 was $345,000.

The debenture is now in default however the lender has agreed to extend the debenture on a month to month basis with interest.

Interest expense on the debenture for the year ended January 31, 2017 was $34,433 (January 31, 2016 - $2,706). Accretion expense on the debenture for the year ended January 31, 2017 was $116,735 (January 31, 2016 – $4,633) with a corresponding credit to the debenture.

5. SHARE CAPITAL

Authorized - Unlimited common shares	**January 31, 2017**	**January 31, 2016**
Issued – 7,178,912 common shares (January 31, 2016 – 4,210,992)	$ 17,596,302	$ 15,453,035

5. SHARE CAPITAL (continued)

a) On February 12, 2015, Company issued 428,571 units at $3.50 for gross proceeds of $1.5 million (net proceeds of $1,467,737). Each unit consisted of one common share and one share purchase warrant at an exercise price of $4.50 for 24 months. An additional reduction to share capital of $710,949 was made to account for the original Black-Scholes value of these warrants with a corresponding credit to warrants for the same amount.

b) On February 12, 2015, the Company issued 42,857 shares at $3.50 to satisfy debt of $150,000 originally included in trade accounts payable.

c) On February 12, 2015, the Company repaid a debenture with a principal amount of $500,000 (Note 4(b)) and issued a new $500,000 convertible debenture that is convertible into common shares of the Company at a conversion price of $3.80 per share until maturity (Note 4(c)). The convertible debenture will mature in 24 months. In connection with the debenture the Company issued 131,579 warrants at an exercise price of $5.00 for 24 months. The Company allocated the total proceeds received between the debenture, share capital and warrants, in order to account for the conversion feature and warrants issued. The fair value of the debenture was determined to be $359,092 based on the discounted cash flows using an estimated cost of borrowing of 18%. The residual value of $140,908 was allocated to Share capital ($70,608) and Warrants ($70,300).

d) On March 12, 2015, the Company issued 812,500 units at $4.00 for gross proceeds of $3.25 million (net proceeds of $3,215,282). Each unit consisted of one common share and one half of one share purchase warrant. Each whole warrant exercise price is $5.00 for 18 months. A reduction to share capital of $1,008,402 was made to account for the original Black-Scholes value of these warrants with a corresponding credit to warrants for the same amount.

e) On April 1, 2015, the Company issued 2,500 shares upon the exercise of 2,500 share purchase options at an exercise price of $6.30 for proceeds of $15,750. An additional credit to share capital of $15,730 was made to account for the original Black-Scholes value of these options with a corresponding reduction to contributed surplus for the same amount.

f) On July 2 and July 17, 2015, the Company issued 10,000 and 5,000 shares respectively upon the exercise of 15,000 broker warrants at an exercise price of $4.50 for total proceeds of $67,500. An additional credit to share capital of $24,883 was made to account for the original Black-Scholes value of these warrants with a corresponding reduction to warrants for the same amount.

5. SHARE CAPITAL (continued)

g) On January 18, 2016, the Company issued a $500,000 principle amount secured convertible debenture financing with the lender making a further $500,000 available for drawdown under the convertible debenture, at the Company's option, during the term of the convertible debenture. In connection with the debenture the Company paid a $50,000 lending fee which was included in the calculation of the fair value of the debenture and determined to be $384,190 based on the discounted cash flows using an estimated cost of borrowing of 26.5%. The residual value of $65,810 was allocated to share capital.

h) On June 2, 2016, the Company drew an additional $50,000 under the convertible debenture. In connection with this additional amount the fair value was determined to be $44,442 based on the discounted cash flows using an estimated cost of borrowing of 26.5%. The residual value of $5,558 was allocated to share capital.

i) On October 31, 2016, the Company issued 2,777,770 units at $1.80 for gross proceeds of $4,999,986 (net proceeds of $4,453,213). Each unit consisted of one common share and one share purchase warrant at an exercise price of $2.40 for 24 months. An additional reduction to share capital of $2,164,675 was made to account for the original Black-Scholes value of these warrants with a corresponding credit to warrants for the same amount.

   In addition, in connection with this financing the underwriters received a cash commission equal to 7.0% of the gross proceeds raised in the Offering and were granted Broker warrants equal to 7.0% of the number of Units issued pursuant to the Offering or 194,444 warrants. Each Broker warrant shall be exercisable into one unit at the issue Price of $1.80 for a period of 24 months following closing of the Offering. An additional reduction to share capital of $791,970 was made to account for the original Black-Scholes value of these warrants with a corresponding credit to warrants for the same amount.

j) On November 30, 2016, the Company converted a debenture with a principal amount of $500,000 by issuing 131,579 shares at an exercise price of $3.80.

k) On November 30, 2016, the Company converted $100,000 toward a debenture with a principal amount of $550,000 by issuing 28,571 shares at an exercise price of $3.50 and 14,286 warrants at the exercise price of $5.00. An additional reduction to share capital of $31,179 was made to account for the fair value of these warrants with a corresponding credit to warrants for the same amount.

l) On December 5, 2016, the Company converted $105,000 toward a debenture with a principal amount of $550,000 by issuing 30,000 shares at an exercise price of $3.50 and 15,000 warrants at the exercise price of $5.00. An additional reduction to share capital of $32,679 was made to account for the fair value of these warrants with a corresponding credit to warrants for the same amount.

6. COMMON SHARE PURCHASE OPTIONS

On September 10, 2015, the Company's shareholders approved and adopted a Fixed Stock Option Plan (the "2015 Plan") for directors, officers, employees and consultants to replace its previous Fixed Stock Option Plan, pursuant to which 842,000 Common Shares (being twenty percent (20%) of the issued and outstanding Common Shares as of the date of approval) are available for purchase upon the exercise of options awarded by the Company, including options previously awarded and outstanding under the former Stock Option Plans.

The Plan provides that other terms and conditions may be attached to particular stock options, such terms and conditions to be referred to in a schedule attached to the option certificate. The Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. The Board may issue a majority of the options to insiders of the Company. However, in no case will the issuance of common shares upon the exercise of stock options granted under the Plan result in:

(i) the number of options awarded in a one-year period to any one consultant exceeding two percent (2%) of the issued shares of the Company (calculated at the time of award);

(ii) the aggregate number of options awarded in a one-year period to eligible persons undertaking investor relations activities exceeding two percent (2%) of the issued shares of the Company (calculated at the time of award);

(iii) the aggregate number of Common Shares reserved for issuance to any one individual upon the exercise of options awarded under the Plan or any previously established and outstanding stock option plans or grants, exceeding five percent (5%) of the issued shares of the Company (calculated at the time of award) in a one-year period.

(Expressed in Canadian Dollars)

6. COMMON SHARE PURCHASE OPTIONS (continued)

The following table summarizes outstanding options as at January 31, 2017 and January 31, 2016:

	Year ended January 31, 2017			**Year ended January 31, 2016**		
	Number of Options Outstanding	**Exercise Price**	**Weighted-Average Remaining Life**	**Number of Options Outstanding**	**Exercise Price**	**Weighted-Average Remaining Life**
Directors and Officers	**371,000**	**$2.50 - $6.30**	**2.83 years**	421,000	$2.50 - $12.00	3.44 years
Consultants and Employees	**292,500**	**$2.50 - $6.30**	**2.78 years**	329,000	$2.50 - $12.00	3.84 years
Total	**663,500**	**$2.50 - $6.30**	**2.81 years**	750,000	$2.50 - $12.00	3.61 years

The following table summarizes the Company's stock options activity for the year ended January 31, 2017 and year ended January 31, 2016:

	Year ended January 31, 2017			**Year ended January 31, 2016**		
	Number of Options	**Exercise Price**	**Weighted-Average Exercise Price**	**Number of Options**	**Exercise Price**	**Weighted-Average Exercise Price**
Outstanding, beginning of the year	**750,000**	**$2.50 - $12.00**	**$4.90**	485,500	$3.60 - $12.00	$6.80
Granted (a)	**30,000**	**$1.80**	**$1.80**	385,000	$2.50 - $6.20	$3.00
Cancelled or expired (b)	**(116,500)**	**$2.50 - $12.00**	**$8.70**	(118,000)	$5.40 - $11.00	$6.30
Exercised (c)	**-**	**-**	**-**	(2,500)	$6.30	$6.30
Outstanding, end of the year (d)	**663,500**	**$1.80 - $6.30**	**$4.10**	750,000	$2.50 - $12.00	$4.90

(a) During the year ended January 31, 2017, 30,000 options were granted (January 31, 2016 – 385,000). For the year ended January 31, 2017, a total credit of $631,498 (January 31, 2015 - $868,921) was allocated to contributed surplus with a corresponding charge to stock-based compensation expense in respect of the vesting of all outstanding options. For the year ended January 31, 2017, the options granted were valued using the Black-Scholes option-pricing model with the following assumptions: expected life of five years, risk free rate of 3.5%, expected dividend yield of 0%, and expected volatility of 240%.

(b) 116,500 options were cancelled or expired during the year ended January 31, 2017 (January 31, 2016 – 118,000).

(c) During the year ended January 31, 2017 no options were exercised (January 31, 2015 – 2,500 options were exercised at $6.30 for proceeds of $15,750 on April 1, 2015. An amount of $15,730 was credited to share capital for the Black-Scholes value of these options with a reduction to contributed surplus of the same amount.)

(d) As at January 31, 2017, the cash amount the Company would receive if all options were exercised would be $2,726,750. As at January 31, 2017, the Company has 488,500 of vested stock options.

(Expressed in Canadian Dollars)

7. WARRANTS

The following table summarizes activity of the Company's warrants, exercisable for common shares:

				Black-Scholes Valuation Inputs				
	Number of Warrants	**Exercise Price**	**Weighted-Average Remaining Life**	**Expected Dividend Yield**	**Risk-Free Interest Rate**	**Expected Life**	**Expected Volatility**	**Forfeiture Rate**
January 31, 2015	**-**	**-**	**-**					
Granted (a)	966,400	$4.50 - $5.00	0.59 years	0%	0.75%	18-24 months	273%	0%
Exercised (b)	(15,000)	$4.50						
January 31, 2016	**951,400**	**$4.50 - $5.00**	**0.59 years**					
Granted (a)	2,807,056	$2.40-$5.00	1.46 years	0%	1.8-3.5%	24 months	239-240%	0%
Expired (c)	(406,250)	$5.00	-					
January 31, 2017	**3,352,206**	**$2.40-$5.00**	**1.46 years**					

The following table summarizes activity of the Company's finder's warrants, exercisable for Units:

				Black-Scholes Valuation Inputs				
	Number of Finders Warrants	**Exercise Price**	**Weighted-Average Remaining Life**	**Expected Dividend Yield**	**Risk-Free Interest Rate**	**Expected Life**	**Expected Volatility**	**Forfeiture Rate**
January 31, 2015	**35,592**	**$4.00**	**0.59 years**					
Cancelled or expired (c) (Note 9)	(35,592)	$4.00						
January 31, 2016	**-**	**-**	**-**					
Granted (a)	194,444	$1.80	**1.75 years**	0%	3.5%	24 months	240%	0%
January 31, 2017	**194,444**	**$1.80**	**1.75 years**					

a) During the year ended January 31, 2017 there were three grants of warrants; i) On October 31, 2016, 2,777,770 warrants were issued in connection with a private placement financing with an exercise price of $2.40 for a 24-month period. Using the Black-Scholes model $2,164,675 was credited to warrants with a corresponding reduction in share capital; ii) On November 30, 2016, 14,286 warrants were issued in connection with the conversion of $100,000 of a convertible debenture, with a conversion price of $3.50 per unit and with each unit consisting of a share and one half of one warrant at an exercise price of $5.00 for a 24-month period. Using the Black-Scholes model $31,179 was credited to warrants with a corresponding reduction in share capital; iii) On December 5, 2016, 15,000 warrants were issued in connection with the conversion of $105,000 of a convertible debenture, with a conversion price of $3.50 per unit and with each unit consisting of a share and one half of one warrant at an exercise price of $5.00 for a 24-month period. Using the Black-Scholes model $32,679 was credited to warrants with a corresponding reduction in share capital.

7. WARRANTS (continued)

During the year ended January 31, 2017, on October 31, 2016, 194,444 Broker warrants were issued in connection with a private placement financing with an exercise price of $1.80 for a 24-month period. Each Broker warrant is convertible into a unit consisting of one share and one half of one warrant. Each warrant is convertible into one share at an exercise price of $2.40. Using the Black-Scholes model $791,970 was credited to warrants with a corresponding reduction in share capital.

During the year ended January 31, 2016 there were three grants of warrants; i) On February 12, 2015, 428,571 warrants were issued in connection with a private placement financing with an exercise price of $4.50 for a 24-month period. Using the Black-Scholes model $710,049 was credited to warrants with a corresponding reduction in share capital; ii) On February 12, 2015, 131,579 warrants were issued in connection with the issuance of a convertible debenture, with an exercise price of $5.00 for a 24-month period. Using the Black-Scholes model $140,098 was credited to contributed surplus for the conversion feature and warrants, with a corresponding reduction in the debt amount; iii) On March 12, 2015, 406,250 warrants were issued in connection with a private placement financing with an exercise price of $5.00 for an 18-month period. Using the Black-Scholes model $1,008,402 was credited to warrants with a corresponding reduction in share capital.

b) During the year ended January 31, 2016, 15,000 warrants were exercised for total proceeds of $67,500. These warrants were originally granted in connection with the issuance of share capital on February 12, 2015. The Company included the proceeds in share capital and in addition, credited share capital for the original warrant value of $24,883 with a corresponding reduction to warrants.

c) During the year ended January 31, 2017, 406,250 warrants expired and no Finders' warrants expired (January 31, 2016 – nil warrants and 35,592 Finders warrants), $1,008,402 was reallocated from warrants to contributed surplus for the expired warrants (2016 - $225,048).

8. CONTRIBUTED SURPLUS

As a result of the vesting of stock options during the year ended January 31, 2017, $631,498 (January 31, 2016 - $868,921) was recorded as stock based compensation expense with the same amount credited to contributed surplus (Note 6(a)).

9. NET LOSS PER SHARE

There is no difference between the basic and diluted loss per share as the effect of the stock options, warrants and debt conversion options would be anti-dilutive.

(Expressed in Canadian Dollars)

10. SUPPLEMENTARY CASH FLOW INFORMATION

The changes in non – cash working capital items comprise the following:

	Year ended January 31, 2017		Year ended January 31, 2016	
Decrease (increase) in trade and other receivable	**$**	**193,364**	$	(74,154)
Decrease (increase) in prepaid expenses, deposits and other assets		**156,124**		(305,701)
Increase (decrease) in trade payables and other payables		**(103,969)**		(174,400)
Increase (decrease) in deferred revenue		**(32,747)**		18,982
	$	**212,772**	$	(535,273)

11. RELATED PARTY BALANCES AND TRANSACTIONS

The following balances and transactions with related parties and key management personnel are included in the accompanying consolidated financial statements:

a. As of January 31, 2017, the Company had $69,296 (January 31, 2016 - $62,150) of accounts payable due to two officers of the Company (one of whom is also a director of the Company).

b. Research and development consultant's compensation of $210,000 were incurred with one officer of the Company during the year ended January 31, 2017 (January 31, 2016 - $210,000). The officer was compensated for his role as Chief Technology Officer.

c. Management consulting compensation expenses of $420,000 were incurred with two officers of the Company during the year ended January 31, 2017 (January 31, 2016 - $420,000), one of which is also a director of the Company. These two officers were compensated for their roles as Chief Executive Officer and Chief Financial Officer for the Company.

d. Business development consultant compensation of $10,000 were incurred during the year ended January 31, 2017 (January 31, 2016 - $120,000) with a current director of the Company.

e. Nil options were granted to directors and officers of the Company during the year ended January 31, 2017 (January 31, 2016 – 245,000).

f. 10,000 Options were granted to a company owned by a director of the Company during the year ended January 31, 2016.

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

The Company's management and chief operating decision maker reviews performance of the Company on a geographical basis. The Company had two geographical segments as at and for the periods ended January 31, 2017 and 2016, comprising head office and general operations of Breaking Data International and Poynt Inc. in Canada and its wholly-owned subsidiary, DTI, in the United States.

	As at and for the year ended January 31, 2017			As at and for the year ended January 31, 2016		
	Canada	**United States**	**Total**	**Canada**	**United States**	**Total**
Current assets	**3,587,100**	**71,594**	**3,658,694**	1,387,853	143,728	1,531,581
Total assets	**3,687,422**	**71,594**	**3,759,016**	3,059,563	143,728	3,203,291
Total liabilities	**643,302**	**87,119**	**730,421**	1,610,398	119,866	1,730,264
Revenue by segment location	**779,214**	**307,934**	**1,087,148**	971,142	363,305	1,334,447
Revenue by customer location	**178,425**	**908,723**	**1,087,148**	146,885	1,187,562	1,334,447
Total expenses	**3,519,605**	**346,049**	**3,865,654**	6,072,205	362,225	6,434,430
Amortization of intangible assets	**374,846**	**-**	**374,846**	389,812	-	389,812
Interest and accretion on debentures	**234,372**	**-**	**234,372**	141,934	-	141,934
Write off of intangible assets	**1,213,200**	**-**	**1,213,200**	-	-	-
Gain on sale of assets	**-**	**-**	**-**	127,211	-	127,211
Interest earned	**1,379**	**-**	**1,379**	-	-	-
Net and comprehensive income (loss)	**(3,952,212)**	**(38,115)**	**(3,990,327)**	(4,973,852)	1,080	(4,972,772)

Significant Customers

For the year ended January 31, 2017, sales from three customers amounted to $512,138, $81,119 and $56,379 respectively which represented 47%, 7% and 5% of total revenues.

For the year ended January 31, 2016, sales from three customers amounted to $662,513, $131,338 and $86,379 respectively which represented 50%, 10% and 6% of total revenues.

13. PREPAID EXPENSES, DEPOSITS AND OTHER ASSETS

The prepaid expenses, deposits and other assets consists of the following balances:

- Prepaid financing fees valued at $150,000 as at January 31, 2017
- Various other assets valued at $11,378

14. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash, trade and other receivables and trade payables and other payables, and debentures. The fair values of financial instruments not measured at fair value through profit or loss approximate their carrying values due to the short-term nature of these financial instruments. Except as otherwise noted, the Company is not exposed to significant risks in relation to its financial instruments. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Currency Risk - The Company is exposed to certain currency risks in that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. In addition, the Company purchases and sells materials and products in US dollars and has certain salary and commission expenses in that currency. The Company does not employ any hedging strategies to mitigate the effects of its currency risks. The Company's net monetary assets in US dollars as at January 31, 2017 are $82,580 (January 31, 2016 – $397,372). The impact of a 10% strengthening of the Canadian dollar on monetary assets and liabilities at January 31, 2017 would result in a foreign exchanged difference of approximately $8,258 impacting the income statement and other comprehensive income (January 31, 2016 - $39,737). A 10% weakening of the Canadian dollar would have an equal and opposite impact. Management believes the impact of a strengthening or weakening of any other foreign currencies on monetary assets and liabilities would not be material.

Liquidity Risk - The Company is exposed to liquidity risk to the extent that it is required to meet its financial obligations as these become due. The Company's approach to managing liquidity risk is to ensure that it has sufficient cash and other current financial assets to meet its obligations when due, without incurring unacceptable losses or damage to the Company's reputation. Management forecasts cash flows to identify financing requirements. These requirements are then addressed through a combination of cash management and access to additional capital. As at January 31, 2017, the Company has trade payables and other payables of $298,302 (January 31, 2016 - $402,271) due within 12 months and debentures with principal sums of $345,000 due January 18, 2017, but extended on a month to month basis (January 31, 2016 - $1,362,796 with $362,796 ($280,000 USD) originally due July 30, 2015 but extended by the lender on a month to month basis, $500,000 due February 12, 2017 and $500,000 due January 18, 2017).

14. FINANCIAL INSTRUMENTS (continued)

Credit Risk - Concentration of credit risk relates primarily to the Company's trade receivables, as certain customer groups are located in the same geographic areas. At January 31, 2017, 47% (January 31, 2016 – 18%) of the Company's accounts receivable was receivable from customers located in Canada. The allowance for doubtful accounts was $Nil at January 31, 2017 (January 31, 2016 - $nil). There is no indication, as at these dates, that the debtors will not meet their obligations, except to the extent provided for as bad debts during the reporting periods, which were immaterial for both reporting periods. The Company manages its credit risk relating to its trade receivables through credit approval and monitoring procedures, including senior management prior approval of all sales. Such approvals are based on trade information, payment history, credit rating and financial analysis, where possible. At January 31, 2017, no material amounts, individually or in aggregate, of trade and other receivables were due beyond their stated payment terms (which range from 30 to 90 days, depending on the contract and customer), and none were considered impaired. Management believes that selling through its current distribution channels does not represent a significant credit risk to the Company.

Interest Rate Risk - Interest rate risk is the risk that the value of financial instruments may fluctuate due to changes in market interest rates. The Company has no interest earning instruments as at January 31, 2017 (January 31, 2016 - $nil). As at January 31, 2017 the Company has a $345,000 debenture that bears 8% interest for a term of 1 year (Note 4(d)) (January 31, 2015 - $500,000).

Interest rate risk is mitigated somewhat as the debenture has a fixed interest rate or no interest; however, the Company is exposed to interest rate risk in that they could not benefit from a decrease in market interest rates.

The Company's management monitors interest rate fluctuations on a continuous basis and acts accordingly.

15. COMMITMENTS

The Company has a contingent commitment to pay $50,000 upon realization and recognition of its first $500,000 in patent licensing revenue, on certain patents and an additional $50,000 upon realization and recognition of an additional $500,000 in patent licensing revenue from of any of these patents. As of January 31, 2017, no patent licensing revenue has been realized or recognized.

(Expressed in Canadian Dollars)

16. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support its sales and research and development activities, salaries and general and administrative expenses, working capital and overall capital expenditures, including those associated with intangible assets. The Board does not establish quantitative return on capital criteria for management, but relies on the expertise of the Company's management to sustain future development of the business.

The Company is currently dependent on external financing to fund some of its activities and in order to carry out its business plan, and will spend its working capital and additional financing as discussed in Note 1. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is optimal.

There were no changes in the Company's approach to capital management during the periods ended January 31, 2017 and 2016. The Company is not subject to externally imposed capital requirements. In the management of capital, management considers the Company's capital to be comprised of all components of shareholders' equity.

17. INCOME TAXES

A reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 – 26.5%) to the effective tax rates us as follows:

	Year ended January 31, 2017	Year ended January 31, 2016
Net loss before income taxes	**$ 3,990,327**	$ 4,879,188
Expected income tax recovery at statutory rates	**$ (1,057,440)**	$ (1,292,980)
Effect on income taxes of:		
Difference in foreign tax rates	**(5,200)**	120
Tax rate changes and adjustments	**-**	9,040
Stock-based compensation and non-deductible expenses	**162,150**	213,270
Utilization of losses not previously recognized	**(42,190)**	-
Change in unrecognized deductible temporary differences	**942,680**	1,070,550
Recorded in the consolidated statements of loss and comprehensive loss	**$ -**	$ -

(Expressed in Canadian Dollars)

17. INCOME TAXES (continued)

Deferred tax

The following table summarized the components of deferred tax:

	Year ended January 31, 2017	Year ended January 31, 2016
Deferred tax assets		
Non-capital losses carried forward	**$ 19,000**	$ 54,210
Deferred tax liabilities		
Intangible assets	**$ -**	$ (21,080)
Debentures	**-**	(33,130)
Foreign exchange on intercompany loans	**(19,000)**	-
Net deferred tax liabilities	**$ -**	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	Year ended January 31, 2017	Year ended January 31, 2016
Intangible assets in excess of carrying value	**$ 1,077,610**	$ 372,140
Share issue costs deductible in the future	**625,340**	343,160
Non-capital losses carried forward	**20,367,210**	18,137,290
Capital losses carried forward	**21,770**	-
Other temporary differences	**12,270**	-
Unrecognized deferred tax assets	**$ 22,104,200**	$ 18,852,590

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom. As at January 31, 2017, the Company has non-capital loss carry forwards of $429,152 in the U.S. which will expire between 2028 and 2037.

(Expressed in Canadian Dollars)

17. INCOME TAXES (continued)

The Company's Canadian non-capital income tax losses expire as follows:

2025	$	151,560
2026	$	247,210
2027	$	448,180
2028	$	1,010,080
2029	$	1,181,060
2030	$	444,050
2031	$	326,440
2032	$	1,768,200
2033	$	2,432,830
2034	$	3,655,900
2035	$	1,724,300
2036	$	4,422,750
2037	$	2,305,990

18. SUBSEQUENT EVENTS

1. On February 12, 2017, 545,171 warrants expired (413,571 with an exercise price of $4.50 and 131,579 at an exercise price of $5.00).

2. On February 27, 2017, the Company issued 55,550 shares for the exercise of 55,550 warrants at a price of $2.40 for gross proceeds of $133,320 in connection with the financing on October 31, 2016.

3. On March 17, 2017, the Company closed the first tranche of its previously announced private placement financing (the "Offering"). The Company issued 1,000,000 subscription receipts of the Company at a price of $4.00 per Subscription Receipt to raise aggregate gross proceeds of $4,000,000.

   The Offering was completed in connection with the Company's proposed acquisition of Sports New Media Holdings Limited ("SNM") (the "Transaction"). Each Subscription Receipt will automatically convert, upon the completion of the Transaction into one unit (a "Unit") of Breaking Data Corp, immediately following the completion of the Transaction. Each Unit is comprised of one common share of and one-half of one warrant, with each whole warrant exercisable into a common share for 24 months at an exercise price of $7.00 per share.

   The gross proceeds from the Offering, less any amounts used to pay the fees and expenses of the Agents were held in escrow pending the satisfaction of the release conditions, whereupon the common shares and warrants underlying the subscription receipts were issued to holders thereof, and the Escrowed Proceeds will be paid to the Company.

   The Agents were paid a cash commission equal to 7% of the gross proceeds raised under the Offering. In addition, upon release of the Escrowed Proceeds to the Company, the Agents were issued compensation options equal in number to 7% of the total number of Subscription Receipts sold pursuant to the Offering, each compensation option entitling the holder to acquire one Unit at an exercise price of $4.00 per Unit for a period of two years from the date of issuance.

18. SUBSEQUENT EVENTS (continued)

4. On April 6, 2017, the Company closed the second tranche of its previously announced private placement financing. The Company issued 250,000 subscription receipts of the Company at a price of $4.00 per subscription receipt to raise aggregate gross proceeds of $1,000,000. Collectively under the first and second tranche of the private placement financing the Company issued 1,250,000 subscription receipts of the Company for aggregate gross proceeds of $5,000,000.

   The Offering was completed in connection with the Company's acquisition of Sports New Media Holdings Limited ("SNM"). Each Subscription Receipt automatically converts, upon the completion of the Transaction into one unit of the Company immediately following the completion of the Transaction. Each Unit is comprised of one common share and one-half of one warrant, with each whole warrant exercisable into a common share of BKD until April 6, 2019 at an exercise price of $7.00 per share.

   The gross proceeds from the Offering, less any amounts used to pay the fees and expenses of the Agents were held in escrow pending the satisfaction of the release conditions, whereupon the common shares and warrants underlying the Subscription Receipts will be issued to holders thereof, and the Escrowed Proceeds will be paid to the Company.

   The Agents were paid a cash commission equal to 7% of the gross proceeds raised under the Offering. In addition, upon release of the Escrowed Proceeds to the Company, the Agents shall be issued compensation options equal in number to 7% of the total number of Subscription Receipts sold pursuant to the Offering, each compensation option entitling the holder to acquire one Unit at an exercise price of $4.00 per Unit until April 6, 2019.

5. On April 11, 2017, the Company completed the previously announced acquisition of Sports New Media Holdings Limited ("SNM").
   The Transaction was effected by way of a securities exchange between the Company and SNM. Pursuant to the Securities Exchange, on closing of the Transaction, an aggregate of 18,779,601 common shares of the Company were issued in exchange for all of the issued and outstanding shares of SNM at a deemed value of $4.15 per share. In addition, each option to purchase SNM shares outstanding on the date of the Transaction was exchanged for options of the Company. Upon completion of the Transaction, the Company owns 100% of the issued and outstanding shares of SNM.

   In addition, an aggregate of 1,250,000 Shares and 625,000 warrants to purchase Shares were issued on conversion of the 1,250,000 outstanding subscription receipts issued as a part of the previously announced financing of the Company.

6. In connection with the Transaction, and pursuant to a consulting agreement, the Company issued 200,000 shares and paid a fee of $200,000 to an advisory of the Company.

7. On April 11, 2017, in connection with the Transaction, the Company issued 367,037 options at prices ranging from $0.50 to $3.33 to former option holders of SNM to replace the options they had previously been granted from SNM.

8. On April 13, 2017, the Company completed the consolidation of its shares approved at the annual general and special meeting of the shareholders of the Company held on March 31, 2017. Pursuant to the Consolidation, the Shares were consolidated on the basis of one post-consolidation share for every ten pre-consolidation shares. These consolidated financial statements reflect the consolidation.