BREAKING DATA CORP.

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

For the years ended January 31, 2017 AND 2016 as at May 30, 2017

Introduction

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Breaking Data Corp. (the "Company") for the years ended January 31, 2017 and 2016, updates information from the Company's fiscal 2016 MD&A, and is intended to help readers better understand operations and key financial results, as they are, in our opinion, at the date of this report. The MD&A has been prepared in accordance with National Instrument 51-102F1, Continuous Disclosure Obligations – Management's Discussion & Analysis, and should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended January 31, 2017 and January 31, 2016 and the accompanying notes which have been prepared under IFRS. These audited annual consolidated financial statements have been reviewed by the Audit Committee of the Company and have been approved by its Board of Directors. Additional information relating to the Company is available on SEDAR at www.sedar.com, as well as the Company's Web site at www.BreakingDataCorp.com.

These statements are essentially forward-looking and are subject to risks and uncertainties, as described in the "Risks and Uncertainties" section, below. Actual results, levels of activity, performance or achievements could differ materially from those projected, discussed or contemplated herein and are dependent upon a number of factors, including the successful and timely completion of research and development initiatives, the uncertainties related to the market acceptance, and the commercialization of our products thereafter.

Consolidation and Presentation

The consolidated financial statements of the Company comprise the accounts of Breaking Data Inc., Devesys Technologies Inc. ("DTI") and Poynt Inc., the Company's wholly-owned subsidiaries. DTI was incorporated on January 19, 2007 in the United States of America pursuant to the laws of the state of Delaware. Poynt Inc. was incorporated on December 13, 2012 in Canada and pursuant to the laws of the province of Ontario. The Company presents its consolidated financial statements in Canadian dollars, which is the Company's functional currency, which includes the accounts of DTI and Poynt Inc. translated into Canadian dollars. All significant intercompany accounts and transactions are eliminated. Unless otherwise noted, all financial information in this MD&A is presented in Canadian dollars.

Effective September 10, 2015, at an Annual and Special Meeting of Shareholders, the Company approved a change of its name to Breaking Data Corp., effective immediately.

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.

SELECTED FINANCIAL INFORMATION FOR THE YEAR

The following table provides selected consolidated financial information for the Company as at and for the years ended January 31, 2017 and 2016.

	As at and for the year ended January 31, 2017 $	As at and for the year ended January 31, 2016 $
Total assets	**3,759,016**	3,203,291
Total liabilities	**730,421**	1,730,264
Revenue	**1,087,148**	1,334,447
Total expenses	**3,865,654**	6,434,430
Gain on sale of asset	**-**	127,211
Interest earned	**1,379**	-
Write-off of intellectual property	**(1,213,200)**	-
Cumulative translation adjustment	**(249,374)**	93,584
Net and comprehensive loss	**(4,239,701)**	(4,879,188)
Basic and diluted loss per share	**(0.81)**	(1.21)

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

Caution regarding forward-looking statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's goal of creating shareholder value; its ability to meet its operating costs for the fiscal year ending January 31, 2017; the plans, costs, and timing for future research and development of the Company's current and future technologies, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments that may vary from amounts disclosed; prices and price volatility the Company's products; and general business and economic conditions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Company's stage of development, long-term capital requirements and future ability to fund operations, future developments in the Company's markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Company's operations. Each factor should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. See "Risk Factors."

The Company disclaims any intention or obligation to update or revise these forward-looking statements, resulting from new information, future events or otherwise.

Outlook and Growth Strategy

The Company is a technology provider of semantic search, machine learning, artificial intelligence ("AI") and Natural Language Processing ("NLP"). The Company's proprietary technology platform, "Cluuz" uses Semantic and Machine Learning techniques to process, analyze and interpret massive volumes of aggregated data in order to extract key sentiments, facts, opinions, user interests and intents. Originally, in 2008, the desktop version of the "Cluuz" platform was launched as a prototype of a "next generation" search engine platform that returns better results than traditional search engines by going beyond simply listing links. Subsequent to launching "Cluuz", the Company undertook a strategic review process with the objective of identifying commercial opportunities related to the core technologies demonstrated in the desktop prototype. The process, which included detailed discussions with the Company's current and prospective customers, as well as industry experts and analysts, led to a comprehensive analysis and evaluation of the current market opportunity, the Company's core technology strengths, the competitive environment, as well as the emerging trends in search, discovery, advertising and commerce.

To that end, in December 2016 the Company announced that it entered into a binding letter of agreement (the "Agreement") with Sports New Media Holdings Limited ("SNM"), a corporation existing under the laws of the United Kingdom, which is the owner of GiveMeSport.com and its related businesses ("GiveMeSport"), pursuant to which Breaking Data will acquire SNM in exchange for the issuance of common shares of Breaking Data ("BKD Shares") to the security holders of SNM (the "Transaction").

GiveMeSport is a leading next generation sports media publisher, supported by investment from IMG, a global leader in sports, events and media, boasts the largest single publisher Facebook page in the world, with over 25.6 million members. (By comparison, ESPN is the next largest single sports publisher Facebook page with 15.2 million members). In addition, GiveMeSport's content generates over 3.4 billion impressions[1], reaching over 140 million unique users[2] per month on Facebook alone.

GiveMeSport's website attracts an international, mobile first audience of over 32 million monthly visitors[3], predominantly from the US and Europe and is one of the world's largest online sports publishers, with Alexa by

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[1] As at December 15, 2016 - Last 28 Days (Facebook): The number of impressions seen of any content associated with your Page. (Total Count)

[2] As at December 15, 2016 - Last 28 Days (Facebook): The number of people who have seen any content associated with your Page. (Unique Users)

[3] 32,892,682 Visitor sessions recorded by Google Analytics in Nov 2016

Amazon ranking the website as the 523rd largest in the world[4] (up from 1203rd largest one year ago) across all categories.

GiveMeSport has a deep understanding of how to produce authentic and engaging written and video content for the millennial audience and utilizes cutting edge technology to enable the optimal creation, distribution and viewability of its content.

GiveMeSport is one of the leaders in programmatic advertising, consistently delivering high performance and high viewability for many high-profile advertisers such as; Mercedes Benz, BMW, American Express, Porsche, Omega, Jaguar, Electronic Arts and Draft Kings.

In addition, GiveMeSport is also the Official online NBA destination in the UK, promoting the NBA across the country. It also has several official partnerships with the NFL, Golfing World and In Cycle.

GiveMeSport has recently developed an emphasis on Video within Facebook and already generates over 200 million video plays per month, including the broadcast of the first Facebook Live International Rugby game (France v Australia) and the International Masters Soccer tournament.

This merger is an important next step for the future of Breaking Data. The goal is to create a business combination of artificial intelligence with social distribution that is a powerful next generation media business offering significant potential for growth. GiveMeSport creates and delivers great content that connects with its audience, wherever they might be. SNM has historically been a tech-led media business, with its success built around the power of proprietary technology platforms. The merger of SNM with Breaking Data allows this advantage to continue with the deep integration of artificial intelligence and natural language processing that will separate the new combination from its competition.

In addition, it positions Breaking Data as one of the fastest growing sports properties in the world. GiveMeSport.com is among the top visited web sites in the world (523rd as of April 24, 2017) and among the top 50 web sites in the UK. Growth world-wide is underscored by the growth opportunity in North America as Breaking Data and the GiveMeSport property focus growing its audience in various North American sports including NFL, NBA, MLB and NHL. In addition, Breaking Data's mobile application will be implemented as means of distributing GiveMeSport content in the fastest and most personalized way, to a massive and fast growing market segment that is coveted by advertisers.

<u>BreakingSports App</u>

Since 2007, the Company has been developing natural language, machine learning, artificial intelligence and semantic search technologies first used in its Cluuz search engine, voted as one of the top 50 real-time search engines and one of the top 10 semantic search engines. The latest advancements in the Company's real-time NLP, enabled by recent breakthroughs in deep-learning, is showcased in BreakingSports App. This app is taking aim at a massive high growth sports audience with interest across the globe.

Utilizing the Company's proprietary semantic technology, the BreakingSports App aims to offer the fastest news delivery to sports fans around the world. The BreakingSports App tracks social media in real-time for significant sports information and events and distributes summarized information through real-time push notifications to

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[4] As on the 24th April 2017 recorded by Alexa

consumers. By utilizing advanced artificial intelligence techniques, the BreakingSports App can detect events as they happen and as they are announced in social media, determine nature of the events, attribute events to participants, summarize source articles, index the underlying information, provide search of events and articles and send alerts to fantasy players, sport fans and enthusiasts.

Compared to other similar products, BreakingSports App has the differentiated advantage of not requiring human intervention when detecting and generating alerts, thereby enabling faster delivery of relevant information. Through a simple-to-use interface, BreakingSports App users specify what teams and players they are interested in as well as what type of events they care about, such as injuries, roster moves, line-up changes, statistics, rumours and more.

In addition to tracking social media, BreakingSports App analyzes statistical and play-by-play information to auto-generate news, updating users on important facts that might not be covered through traditional sports or social media. Users are able to review news in a familiar feed/stream interface and as search results. The app can be easily configured to include any sport, as well as potentially other categories of information, ushering the era of real-time news subscription for any topics of choice.

One of the biggest problems faced by today's mobile world is search and discovery. As a platform/network grows, so does the amount of content, which makes it increasingly difficult for consumers to find the information they want. BreakingSports App allows users to subscribe to their favourite teams and players so that they never miss a beat. Whether it is a headline, injury, trade, or scoring alert, BreakingSports App users are the first to know. BreakingSports App delivers the fastest breaking sports news and alerts to users by integrating social media sourced updates. Through specialized algorithms, BreakingSports App taps social media for the latest sports news and delivers it to users in a fully automated real time manner.

BreakingSports App features include:

- News Feed – View news feed for personalized subscriptions;
- Filter Alerts – Select which type of news is most important to you, from injuries to rumours;
- League News – View and search news by league for the latest updates;
- Scores – Follow current and upcoming games via the game calendar for in-game alerts;
- Player Stats – View game and season stats in player profiles;
- Individual News – Access team or player specific news by selecting them from your customizable subscription list; and
- Share – Send friends links to important updates via email or text.

Moving forward, the Company intends to integrate its BreakingSports app with SNM and create a new mobile product for GiveMeSport users.

<u>BreakingSports Bot</u>

In the summer of 2016, the Company launched its new BreakingSports bot on Facebook Messenger. The BreakingSports bot for Messenger provides functionality equivalent to the BreakingSports application, as well as the most advanced conversational interface for querying sports current season statistics. Users are able to ask questions and receive answers from the BreakingSports bot using the same natural conversational language, as if they were asking a friend the question.

The BreakingSports bot supports a full set of functionalities that is equivalent to the BreakingSports application for NFL, MLB, NBA, NHL and EPL and more. Complete configuration is achieved directly within the Facebook messenger BreakingSports bot. The BreakingSports bot allows users to receive personalized news based on their chosen filters (scores, injuries, roster moves etc.) and subscriptions for teams and/or players. To start a conversation with the BreakingSports bot, users simply search and add "BreakingSports" to people and groups in Messenger. A tutorial allows users to familiarize themselves with the custom features of the bot. Once configured, users receive Messenger notification for news based on their personalized subscriptions and filters.

Unlike other sports bots, BreakingSports users can interact directly with the BreakingSports bot to ask in natural language such things as current season statistics, standings, schedule, scores, bio information for players, team and league wide rankings, making the BreakingSports bot the most advanced AI powered sports bot available today.

Breaking Data Corp.’s Artificial Intelligence Platform Solutions

Breaking Data Corp.’s Artificial Intelligence Platform Solutions involve the licensing of core AI search, semantic, and data acquisition technology to enterprise and consumer solution providers in multiple business verticals.

Breaking Data Corp has developed a powerful mobile platform with proprietary IP in advanced search and analysis, intelligent infrastructure services, contextual content services, semantic and machine learning techniques. The platform allows us to process, analyze and interpret unstructured data in real-time, in order to extract sentiment, facts, user interests and intent.

Currently, the primary focus of the AI Platform Solutions team is Breaking Data Corps’ proprietary semantic and natural language processing technology, which can be customized to analyze big data sets and integrate Natural Language Processing (“NLP”) and sematic search capabilities in different business verticals.

The Company continues to explore new and beneficial ways to exploit and deploy its existing technologies and IP with strategic partnerships and projects.

Semantic Analysis of Social Media Content

Breaking Data Corp. has accumulated considerable intellectual property and expertise in the areas natural language processing and artificial intelligence. Currently these capabilities are utilized within our BreakingSports application; however, there is nothing inherently different about processing written language on the topic of sports vs other domains such as weather, food, music, entertainment, politics, business etc.

News and events during the year ended January 31, 2017

The business and related public news highlights are outlined below:

On February 16, 2016, the Company announced that it has entered into an agreement to forge a strategic partnership with Pacific Disaster Center ("PDC") and its software implementation partner, Kontur Labs, exploring the innovative use of the Company's proprietary NLP technologies toward disaster risk reduction within PDC's best-in-class product, DisasterAWARE (All-hazard Warnings, Analysis, and Risk Evaluation). In the agreement, the parties engage in developing a prototype for detecting and mapping hazard events by analyzing related social media traffic, using advanced NLP cognitive technologies. The Company is near completion of its initial integration project and expects a formal roll-out in mid-2017.

On July 27, 2016, the Company announced its launch of BreakingSports app in Australia with Tabcorp's Luxbet integration. This integration is pursuant to a previously signed, exclusive agreement with Tabcorp Holdings Limited, a world leading wagering company.

On August 11, 2016, the Company announced that is has launched its new BreakingSports bot on Facebook Messenger. The BreakingSports bot for Messenger provides functionality equivalent to the BreakingSports application, as well as the most advanced conversational interface for querying sports current season statistics. Users are able to ask questions and receive answers from the BreakingSports bot using the same natural conversational language, as if they were asking a friend the question.

On September 19, 2016, the Company and LYCOS, one of the most widely recognized internet brands, signed a partnership agreement to power LYCOS Sports.

On October 31, 2016, the Company announced the closing of a bought deal private placement financing, pursuant to which the Company issued 2,777,770 units at a price of C$1.80 per unit, for aggregate gross proceeds of C$4,999,986. Each unit is comprised of one BKD Share and one warrant to purchase a BKD Share at a price of $2.40 for a period of two years from closing. As partial consideration for the underwriters, the Company issued an aggregate of 194,444 broker warrants, each of which is exercisable into a unit at an exercise price of $1.80 for a period of two years from the closing date.

On December 16, 2016, the Company announced it had entered into a letter of intent with Sports News Media (”SNM”) to complete a Share Purchase Agreement for the acquisition of SNM (see Subsequent events).

On January 27, 2017, the Company announced that it would be undertaking the Financing, concurrent with the closing of the SNM acquisition (see Subsequent events).

RESULTS OF OPERATIONS

	Year ended January 31, 2016	Year ended January 31, 2016	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	**1,087,148**	1,334,447	(247,299)	-19%
Expenses				
Employee salary and benefits expense	**757,886**	870,005	(112,119)	-13%
Stock-based compensation	**631,498**	868,921	(237,423)	-27%
Promotion and marketing	**486,964**	1,868,639	(1,381,675)	-74%
Research and development consultant's compensation	**442,412**	631,610	(189,198)	-30%
Management consulting compensation	**420,000**	420,000	-	0%
Amortization of intangibles	**374,846**	389,812	(14,966)	-4%
Accretion on debentures	**189,599**	113,662	75,937	67%
Administration and operations	**174,517**	401,600	(227,083)	-57%
Business development consultant's compensation	**156,048**	557,685	(401,637)	-72%
Professional fees	**129,457**	104,028	25,429	24%
Application content expense	**57,654**	180,196	(122,542)	-68%
Interest on debentures	**44,773**	28,272	16,501	58%
Total Expenses	**3,865,654**	6,434,430	(2,568,776)	-40%
NET LOSS BEFORE GAIN ON SALE OF ASSETS, INTEREST EARNED AND WRITE-OFF INTELLECTUAL PROPERTY	**(2,778,506)**	(5,099,983)	2,321,477	-46%
Gain on sale of asset	**-**	127,211	(127,211)	-100%
Interest earned	**1,379**	-	1,379	100%
Write-off of intellectual property	**(1,213,200)**	-	(1,213,200)	100%
NET LOSS FOR THE YEAR	**(3,990,327)**	(4,972,772)	982,445	-20%
Cumulative translation adjustment	**(249,374)**	93,584	(342,958)	-366%
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(4,239,701)**	(4,879,188)	639,487	-13%

Analysis of revenues and expenses

Revenues for the year ended January 31, 2017 were $1,087,148 compared to $1,334,447 for the year ended January 31, 2016, a decrease of $247,299 or 19%. This decrease resulted primarily from of the absence of a significant decline in Poynt app revenues in the last quarter of fiscal 2017. The Company had a contract terminated by its main ad supplier which cause this decline. While the Company has since replaced its ad supplier, it is unlikely that the past revenue stream can be achieved in the future and is, in fact, estimated to be significantly less than in past years.

The Company is continuing to work on a project related to disaster alerts in real-time that began in this fiscal year that should generate revenue in fiscal 2018. In addition, the Company continues to pursue several opportunities to integrate its NLP and sematic search capabilities with other companies in different verticals, as a consumer or enterprise solution.

Finally, pursuant to the acquisition of Sports New Media subsequent to the end of fiscal 2017 the Company anticipates reporting on several new revenue streams in fiscal 2018.

Employee salary and benefits expense was $757,886 for the year ended January 31, 2017, compared to $870,005 for the year ended January 31, 2016, a decrease of $112,119 or 13%. Employee salary and benefits expense relates to expenses paid for the employees of the Company and its wholly-owned subsidiaries and includes salary and wages, payroll taxes and benefits. The decrease is a direct result of reduced headcount, specifically in product development and programming as certain projects and specifically the BreakingSports app were completed. Towards the end of this fiscal year, the Company began to increase this cost with specific additions to staff related to the Sports News Media acquisition (see Subsequent events).

Stock-based compensation was $631,498 for the year ended January 31, 2017 compared to $868,921 for the year ended January 31, 2016, a decrease of $237,423 or 27%. This expense is a non-cash item, with a corresponding credit to contributed surplus. The decrease is the result of past years share purchase options issued to board members and consultants previously expensed as well as various option grants of former employees, consultants and management or directors being cancelled before the vesting period and thereby reducing the annual expense.

Promotion and marketing expense was $486,964 for the year ended January 31, 2017, compared to $1,868,639 for the year ended January 31, 2016, a decrease of $1,381,675 or 74%. This decrease is primarily related to the Company's launch and significant marketing of its BreakingSports app in the previous fiscal year that is, in large part, absent this fiscal year. To effectuate its strategy, the Company contracted outsourced marketing resources and invested significant resources in on-line and traditional marketing campaigns to ramp up the downloads of BreakingSports and convert these downloads into active users. As a result, the Company now has this "showcase" app with a material user-base to validate and demonstrate its Artificial Intelligence and Natural Language processing platform as it applies to social media and sports news.

Research and development consultants' compensation was $442,412 for the year ended January 31, 2017 compared to $631,610 for the year ended January 31, 2016, a decrease of $189,198 or 30%. The Company has transitions of outsourced R&D contractors in and out of service depending on the projects and deliverables that are required. With a consulting and outsourced component to the Company's ongoing R&D, it is able to manage its project development costs with a group of familiar and ongoing consultants that have contributed to the Company's technology over several years.

The Company will continue to modify and augment its combined outsourced consulting and in-house teams, to enhance core technology solutions including Artificial Intelligence, NLP development and platform initiatives on both iOS and Android handsets and well as enterprise solutions. The Company has taken steps to strengthen its Canadian team to improve efficiencies. In addition, the Company continues to invest in R&D projects to stay ahead of the market and produce best of breed solutions that address the current marketplace. Outsourced teams are in place in both Canada and Serbia to further contribute projects of value.

Management consulting compensation for the year ended January 31, 2017 was $420,000 compared to $420,000 for the year ended January 31, 2016. This cost is related to core management consulting contracts for the Chief Executive Officer and Chief Financial Officer in order to lead the business including but not limited to finance, strategy, M+A, operations, hiring, reporting and short and long term planning.

Amortization of intangibles was $374,846 for the year ended January 31, 2017 compared to $389,812 for the year ended January 31, 2016, a decrease of $14,966 or 4%. The small decrease is a result of the amortization of specific granted patents and Poynt intangibles that have been written off in this fiscal year (See write-off of intellectual property). The Poynt intangibles acquired are as follows from a cost allocation perspective: Intellectual Property in the amount of $1,205,000; the Poynt user base for $745,000; and the Poynt brand and trade name for $185,000. Prior to the write-off, amortization was recorded during the year on the Intellectual Property and Poynt user base applying an effective amortization period of 6 years. 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.

Accretion on debentures was $189,599 for the year ended January 31, 2017 compared to $113,662 for the year ended January 31, 2016, an increase of $75,937 or 67%. This expense is a non-cash item. The increase in accretion this year was primarily attributed to accretion on a new debenture that began in January 2016 and resulted in $116,735 in accretion this fiscal year compared to $4,633 in accretion on the same debenture last fiscal year.

Administration and operations expenses were $174,517 for the year ended January 31, 2017 compared to $401,600 for the year ended January 31, 2016, representing a decrease of $227,083 or 57%. The Company continues to make a concerted effort to keep general overheads, including office costs, low and allocate funds towards R&D, marketing and business development. Furthermore, this decrease consists mainly of a foreign exchange gain in this fiscal year compared to a foreign exchange loss last fiscal year and thereby significantly reducing overall administrative costs.

Business development consultants' compensation were $156,048 for the year ended January 31, 2017 compared to $557,685 for the year ended January 31, 2016, a decrease of $401,637 or 72%. In the last fiscal year, the Company invested in business development to facilitate its growth and create new strategic opportunities critical to the overall success of the Company. The Company's success is measured by the increased exposure in the marketplace resulting in a growing opportunity funnel, in addition to marketing and branding awareness of its consumer facing products and services, as evidenced by the strategic agreements announced in the last 24 months and facilitated by the new business development consultants that were retained in the previous fiscal year. This expenditure resulted in strategic partnerships and other revenue generating deals. Nevertheless, in this fiscal year, a large amount of these consulting fees were eliminated in order to preserve cash and also focus on the opportunity pipeline that already was established, thereby decreasing the overall cost in this fiscal year significantly.

Professional fees for the year ended January 31, 2016 were $129,457 for the year ended January 31, 2017 compared to $104,028 for the year ended January 31, 2016, an increase of $25,429 or 24%. Professional fees during the year are primarily patent maintenance costs and fluctuate from time to time depending on the dates for payment of annual fees related to granted patents, audit and accounting fees and general corporate legal matters. During the year, the Company also recently incurred legal fees for various corporate matters.

Application content expense were $57,654 for the year ended January 31, 2016 compared to $180,196 for the year ended January 31, 2016, a decrease of $122,542 or 68%. Application content expense includes data and provisioning costs for the Poynt app. These direct costs are both fixed and variable and should decrease as a percentage of related revenues, as revenues increase. In addition, management continues, where possible, to reduce direct data and provisioning costs resulting in significant savings during this fiscal year.

Interest on debentures was $44,773 for the year ended January 31, 2016 compared to $28,272 for the year ended January 31, 2016, an increase of $16,501 or 58%. This increase was as a result of the larger outstanding balance of the debentures during the year. In particular, a new debenture for $550,000 with 8% interest attached was established at the end of last fiscal year, thereby adding to the interest expense in this fiscal year. In addition, in the last quarter of this fiscal year a debenture was repaid in full for $363,762. A second debenture for $500,000 was fully converted to share capital and a third debenture of $550,000 was partially converted to share capital in the amount of $205,000 leaving a single debenture amount outstanding at year end of $345,000.

Gain on sale of assets was $nil for the year ended January 31, 2016 compared to $127,211 for the year ended January 31, 2016. On July 14, 2015, the Company entered into an arm's length domain name assignment agreement, thereby selling 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 is no impact on the Company's operations resulting from the sale of these domain names, beyond the receipt of a cash payment.

Interest earned was $1,379 for the year ended January 31, 2017 compared to $nil for the year ended January 31, 2016. This increase was as a result of interest earning cash balances this fiscal year.

Write-off of intellectual property was $1,213,200 for the year ended January 31, 2017 compared to $nil for the year ended January 31, 2016. 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.

Liquidity and Capital Resources

For the year ended January 31, 2017, there was a net cash outflow from operating activities of $1,500,746 compared to a net cash outflow of $4,085,476 for the year ended January 31, 2016, a difference of $2,584,730.

The decrease in cash used for operating activities was primarily due to:

1) An decrease in the net loss to $3,990,327 for the year ended January 31, 2017 compared to a net loss of $4,972,772 for the year ended January 31, 2016, that accounts for a decrease of $982,445 in cash used for operating activities. This resulted from lower revenues offset by much lower overall expenses as discussed in the analysis of expenses above;

2) An increase in the accretion of debentures of $189,599 for the year ended January 31, 2017 compared to $113,662 for the year ended January 31, 2016, that accounts for an increase of $75,937 in a non-cash item added back to cash flow from operations;

3) An increase non-cash items related to the write-down of intellectual property resulted in increase of $1,213,200 in non-cash items that are added back to cash flows from operations;

4) Net cash inflow resulting from the net change in non-cash working capital items related to operations of $212,772 for the year ended January 31, 2017 compared to a net cash outflow of $535,273 for the year ended January 31, 2016, that accounts for an increase of $748,045 in non-cash working capital items that are added back to cash flow from operations.

Offset by;

5) An decrease in amortization of intangible assets from $389,812 for the year ended January 31, 2016, to $374,846 for the year ended January 31, 2017, that accounts for an decrease of $14,966 in a non-cash item that is added back to cash flow from operations.

6) An decrease in the non-cash stock based compensation of $631,498 for the year ended January 31, 2017, compared to $868,921 for the year ended January 31, 2016, that accounts for an decrease of $237,423 in non-cash item that is added back to cash flows from operations.

7) An increase in unrealized foreign exchange gain of $132,334 for the year ended January 31, 2017, compared to unrealized foreign exchange loss of $50,174, for decrease of $182,508 in a non-cash item that is added back to cash flow from operations;

Expressed in tabular form, the increase in the net cash used for operations is as follows:

Decrease in net loss	$	982,445
Higher accretion of debentures		75,937
Increase in write-off of intellectual property		1,213,200
Higher inflows in non-cash working capital		748,045
Lower amortization of intangibles		(14,966)
Lower stock-based compensation		(237,423)
Increase in unrealized foreign exchange gain		(182,508)
Decrease in the net cash used for operations	$	2,584,730

As at January 31, 2016 the Company had working capital of $2,928,273 compared to negative working capital of $198,683 as at January 31, 2016, a difference of $3,126,956. This increase in working capital is primarily a result of higher cash (by $2,476,601), lower trade payables (by $103,969), lower deferred revenue (by $32,747) and lower debentures (by $863,127) offset by lower trade receivables (by $193,364), lower prepaid expenses and deposits (by $156,124).

The Company has incurred losses and is not yet cash flow positive. The Company's ongoing ability to remain liquid will depend on a number of factors including the Company's continued ability to raise capital to fund operations and become profitable.

Outstanding Share Data

As at January 31, 2017, the number of outstanding shares was 7,178,912 (January 31, 2016 – 4,210,992).

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. 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. 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. 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.

Subsequent to the end of the fiscal year, on February 27,2017, the Company issued 55,550 shares pursuant to the exercise of warrants in relation to a financing on October 31, 2016 an exercise price of $2.40 for proceeds of $133,200. On April 11, 2017, the Company completed the 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 owned 100% of the issued and outstanding shares of SNM.

In addition, an aggregate of 1,250,000 units were issued at a price of $4.00 per unit for gross proceeds of $5 million. Each unit is comprised of one common share and one-half of one warrant, with each whole warrant exercisable into a common share until April 6, 2019 at an exercise price of $7.00 per share.

The Company also issued 200,000 to a consultant in relation to the SNM acquisition.

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.

As at May 30, 2017, after giving effect to the consolidation, the number of shares outstanding was 2,746,406.

As at January 31, 2017, the Company had 663,500 share purchase options outstanding (January 31, 2016 – 750,000). During the year ended January 31, 2017, the Company issued 30,000 new options at $1.80 and 116,500 options were cancelled or expired at prices ranging from $2.50 to $12.00. No options were exercised.

Subsequent to the end of the fiscal year, 1,000 options expired.

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 options were also consolidated on the basis of one post-consolidation option for every ten pre-consolidation options.

Subsequent to the end of the fiscal year, on April 11, 2017, in connection with the SNM acquisition, 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.

As at May 30, 2017, after giving effect to the consolidation, the number of outstanding options was 1,029,537.

As at January 31, 2017 the Company had a total of 3,352,206 warrants and 194,444 finders' warrants outstanding (January 31, 2016 – 951,400 and nil). During the year, the Company granted a total of 2,807,056 warrants and 194,444 finders' warrants. On October 31, 2016, in connection with a private placement financing, 2,777,770 warrants were issued with an exercise price of $2.40 for 24 months. In addition, 194,444 finders' warrants were issued with an exercise price of $1.80 for 24 months.

On November 30 and December 5, 2016, in connection with the partial conversion of a $550,000 debenture, the Company issued 14,286 and 15,000 warrants respectively at an exercise price of $5.00 for 24 months. During the year on September 12, 2016, 406,250 warrants expired.

Subsequent to the end of the fiscal year 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). In addition, 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.

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 warrants were also consolidated on the basis of one post-consolidation warrant for every ten pre-consolidation options.

As at May 30, 2017, after giving effect to the consolidation, the number of warrants outstanding was 2,751,506 and the number of finders warrants outstanding was 194,444.

Summary of Quarterly Results

The following table presents the selected financial data for each of the last eight quarters of the Company ended January 31, 2017 and 2016.

	31-Jan-17	**31-Oct-16**	**31-Jul-16**	**30-Apr-16**	**31-Jan-16**	**31-Oct-15**	**31-Jul-15**	**30-Apr-15**
Revenues	**124,170**	**307,239**	**253,812**	**401,927**	**365,609**	**282,895**	**369,070**	**316,873**
Net Loss	**(1,941,164)**	**(432,820)**	**(824,200)**	**(792,143)**	**(1,251,561)**	**(1,437,217)**	**(1,061,828)**	**(1,222,166)**
EPS	**(0.38)**	**(0.09)**	**(0.19)**	**(0.18)**	**(0.30)**	**(0.34)**	**(0.25)**	**(0.32)**

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.

SUBSEQUENT EVENTS AND NEWS

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.

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.

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.

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.

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.

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.

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.

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.

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.

Financial assets

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.

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

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.

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.

RELATED PARTY 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has established and continues to complement a system of disclosure controls and procedures and internal controls over financial reporting. This system is designed to provide reasonable assurance that material information relating to the issuer and its subsidiaries are available and reported to senior management and permits timely decisions regarding public disclosure. As of January 31, 2017, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings are effective, except as noted below, to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

As noted in previous quarterly and annual MD&A's the Company's disclosure controls and procedures are indicative of many small and growing companies. Consequently, management has identified certain weaknesses that currently exist in the disclosure controls and procedures including, but not limited to, the segregation of duties and expertise in specific areas of public disclosure. The existence of these weaknesses is partially compensated for by senior management monitoring these issues, and in the case of complex or extraordinary transactions, consulting with external experts to advise management in their analysis and conclusions.

Throughout the year management continued to address, as required, steps to improve disclosure controls and procedures and internal controls over financial reporting. However, no specific changes to disclosure controls and procedures were made during the year. The Company recognizes this is an ongoing and dynamic process and continues to focus on internal controls related to financial reporting and disclosure controls and procedures and is committed to further improvements in the future.

RISKS AND UNCERTAINTIES

Limited Operating History

The Company has a limited operational history. The Company has never paid dividends and has no present intention to pay dividends. The Company is in the early commercialization stage of its business and therefore will be subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability and the need to obtain additional funding. The Company will be committing, and for the foreseeable future will continue to commit, significant financial resources to marketing, product development and research. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. Such risks include the evolving and unpredictable nature of the Company's business, the Company's ability to anticipate and adapt to a developing market, acceptance by consumers of the Company's products and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Company will be successful in doing what is necessary to address these risks.

Key Personnel

The investigative research technology industry involves a high degree of risk, which a combination of experience, knowledge and careful evaluation may not be able to overcome. The success of the Company may be dependent on the services of its senior management and consultants. The experience of these individuals may be a factor contributing to the Company's continued success and growth. The loss of one or more of its key employees or consultants could have a material adverse effect on the Company's operations and business prospects. In addition, the Company's future success will depend in large part on its ability to attract and retain additional highly skilled technical, management, sales and marketing personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the failure to do so could have a material adverse effect on the Company's business, operating results and financial condition.

Additional Financing Requirements

In order to accelerate the Company's growth objectives, it will need to raise additional funds from lenders and equity markets in the future. There can be no assurance that the Company will be able to raise additional capital on commercially reasonable terms to finance its growth objectives. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of common shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution.

Protection of Intellectual Property

Although the Company does not believe that its products infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company or that any such assertions or prosecutions will not materially adversely affect the Company's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Company could incur significant costs and diversion of resources with respect to the defense thereof which could have a material adverse effect on the Company's business, financial condition or results of operations. The Company’s performance and ability to compete are dependent to a significant degree on its proprietary technology.

While the Company will endeavor to protect its intellectual property, there can be no assurance that the steps taken by the Company will prevent misappropriation of its technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford the Company little or no effective protection of its intellectual property. While the Company's technology is developed and owned by the Company, it may in the future also rely on technology licenses from third parties. There can be no assurance that these third party licenses will be, or will continue to be, available to the Company on commercially reasonable terms. The loss of, or inability of the Company to maintain, any of these technology licenses’ could result in delays in completing its product enhancements and new developments until equivalent technology could be identified, licensed, or developed and integrated. Any such delays would materially adversely affect the Company's business, results of operations and financial condition.

Competition

The Company may not be able to compete successfully against current and future competitors, and the competitive pressures the Company faces could harm its business and prospects. Broadly speaking, the market for investigative research technology is competitive. The level of competition is likely to increase as current competitors improve their product offerings and as new participants enter the market. Many of the Company's current and potential competitors have longer operating histories, larger customer bases, greater name and brand recognition and significantly greater financial, sales, marketing, technical and other resources than the Company. Additionally, these competitors have research and development capabilities that may allow them to develop new or improved products that may compete with products the Company markets and distributes.

New technologies and the expansion of existing technologies may also increase competitive pressures on the Company. Increased competition may result in reduced operating margins as well as loss of market share. This could result in decreased usage of the Company's products and may have a material adverse affect on the Company's business, financial condition and results of operations.

Implementation Delays

Most of the Company's customers will be in a testing or a preliminary use stage of utilizing the Company's products and may encounter delays or other problems during their introduction of the Company's products. A decision not to implement these products, or a delay in implementation, could result in a delay or loss of related revenue or could otherwise harm the Company's businesses and prospects. The Company will not be able to predict when a customer that is in a testing or a preliminary use phase will adopt a broader use of the Company's products.

Limited Customer Feedback Respecting Products

The Company's revenue will depend on the number of customers who use the Company's products. Accordingly, the satisfactory design of the Company's product is critical to the Company's business, and any significant product design limitations or deficiencies could harm the Company's business and market acceptance. To date, the features and functionality reflected in the Company's product have been based on its internal design efforts and on feedback from a limited number of customers and potential customers. This limited feedback may not have resulted in an adequate assessment of customer requirements. Therefore, the currently specified features and functionality of the Company's product may not satisfy current or future customer demands. Furthermore, even if the Company identifies the feature set required by customers in the Company's market, it may not be able to design and implement products incorporating features in a timely and efficient manner, if at all.

Developing Markets

The market for the Company's product is relatively new and continues to evolve. If the market for the Company's product fails to develop and grow, or if the Company's product does not gain market acceptance, the Company's business and prospects will be harmed.

Technological Change

The investigative research technology industry is susceptible to technological advances and the introduction of new products utilizing new technologies. Further, the investigative research technology industry is also subject to customer preferences and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of the Company will depend on its ability to secure technological superiority in its product and maintain such superiority in the face of new products. While the Company believes that its product will be competitive, no assurances can be given that the product of the Company will be commercially viable or that further modification or additional products will not be required in order to meet demands or to make changes necessitated by developments made by competitors which might render the product of the Company less competitive, less marketable, or even obsolete over time.

The future success of the Company will be influenced by its ability to continue to develop new competitive products. Although the Company is committed to the development of new products and the improvement of its existing product, there can be no assurance that these research and development activities will prove profitable, or that products or improvements resulting there from, if any, will be successfully produced and marketed. The investigative research technology industry is characterized by technological change, changes in user and customer requirements, new product introductions and new technologies and the emergence of new industry standards and practices that could render the Company's technology obsolete or have a negative impact on sales margins the Company's product may command. The Company's performance will depend, in part, on its ability to enhance its existing product, develop new proprietary technology that addresses the sophisticated and varied needs of its prospective customers and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of technology entails significant technical and business risks. There can be no assurance that the Company will be successful in using new technologies effectively or adapting its product to customer requirements or emerging industry standards.

Strategic Alliances

The Company's growth and marketing strategies are based, in part, on seeking out and forming strategic alliances and working relationships. There can be no assurance that existing strategic alliances and working relationships will not be terminated or modified in the future, nor there any assurance that new relationships, if any, will afford the Company the same flexibility under which the Company currently operates.

Resolution of Product Deficiencies

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of the Company's products, and/or lawsuits, and would be detrimental, perhaps materially, to the Company's market reputation. Serious defects are frequently found during the period immediately following the introduction of new products or enhancements to existing products. Undetected errors or performance problems may be discovered in the future. Moreover, known errors which the Company considers minor may be considered serious by its customers. If the Company's internal quality assurance testing or customer testing reveals performance issues and/or desirable feature enhancements, the Company could postpone the development and release of updates or enhancements to its current product or the release of new products. The Company may not be able to successfully complete the development of planned or future products in a timely manner, or to adequately address product defects, which could harm the Company's business and prospects. In addition, product defects may expose the Company to liability claims, for which the Company may not have sufficient liability insurance. A successful suit against the Company could harm its business and financial condition.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base.

The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

Negative Cash Flow and Absence of Profits

The Company has not earned any profits to date and there is no assurance that it will earn any profits in the future, or that profitability, if achieved, will be sustained. A significant portion of the Company's financial resources will continue to be directed to the development of its products and to marketing activities. The success of the Company will ultimately depend on its ability to generate revenues from its product sales, such that the business development and marketing activities may be financed by revenues from operations instead of external financing.

There is no assurance that future revenues will be sufficient to generate the required funds to continue such business development and marketing activities.

Conflicts of Interest

Certain proposed directors and officers of the Company may become associated with other reporting issuers or other Companies which may give rise to conflicts of interest. In accordance with the *Canada Business Corporations Act*, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company, as the case may be. Certain of the directors have either other employment or other business or time restrictions placed on them and accordingly, these directors will only be able to devote part of their time to the affairs of the Company.

Key Man Insurance

The Company has key man insurance in place in respect of its CEO for $1 million.