BREAKING DATA CORP.

(FORMERLY SPRYLOGICS INTERNATIONAL CORP.)

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

For the years ended January 31, 2016 AND 2015 as at May 30, 2015

Introduction

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Breaking Data Corp. (formerly Sprylogics International Corp.) (the "Company") for the years ended January 31, 2016 and 2015, updates information from the Company's fiscal 2015 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, 2016 and January 31, 2015 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. (Formerly Sprylogics International 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 translated into Canadian dollars as well as certain account balances from 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.

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, 2016 and 2015.

	As at and for the year ended January 31, 2016 $	As at and for the year ended January 31, 2015 $
Total assets	**3,203,291**	2,578,871
Total liabilities	**1,730,264**	2,218,564
Revenue	**1,334,447**	1,858,792
Total expenses	**6,434,430**	4,895,623
Gain on sale of asset	**127,211**	-
Interest earned	**-**	1,669
Impairment of goodwill	**-**	(1,094,023)
Write-down of intellectual property	**-**	(1,650)
Cumulative translation adjustment	**93,584**	19,198
Net and comprehensive loss	**(4,879,188)**	(4,111,637)
Basic and diluted loss per share	**(0.12)**	(0.15)

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, 2016; 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

Breaking Data Corp. (formerly Sprylogics International Corp.) is a technology provider of semantic search, machine learned language and Natural Language Processing ("NLP"). The Company's 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.

Breaking Data Corp.'s Consumer Applications

Breaking Data Corp.'s Consumer Applications are focused on delivering the customer facing mobile applications, specifically in its area of expertise; search and semantics. To that end the Company has built a new real-time social media search app in the sports vertical called BreakingSports. In addition to BreakingSports the Company continues to grow the Poynt application previously acquired in July 2013, which is an established recognizable worldwide search app.

BreakingSports aims to offer the fastest news delivery to sports fans around the world. Officially launched on February 23, 2015, BreakingSports tracks social media in real-time for significant sports information and events and distributes summarized information through real-time push notifications to consumers. By utilizing advanced artificial intelligence techniques, BreakingSports can detect events as they happen and as they are announced in social media, determine the 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's fans and enthusiasts. Since the introduction of the Company's BreakingSports App in early 2015, the growth and usage has continued to rise with over 900,000 downloads to date. In addition, last month the app delivered over 50 million notifications and over 300,000 unique pieces of news.

The Poynt App is built for targeted local search and has a rich and popular history with mobile smart phone users, having been downloaded more than 25 million times worldwide, across 5 mobile platforms. The addition of

Poynt has enabled the Company to integrate its advanced search and semantic technology and overlap and complement its SDK research and development for local search with a Poynt Enabled version of the SDK. The Consumer Applications Team seeks to further commercialize some of Breaking Data Corp's established technology (specifically, the Cluuz Platform) to address market opportunities that help solve real world problems for consumers through its search and semantic solutions.

Breaking Data Corp. continues to market its existing products and services of its subsidiary, DTI, and is actively pursuing opportunities to monetize, via licensing and/or advertising of its Platform and Consumer Applications initiatives.

Breaking Data Corp.'s Platform Solutions

Breaking Data Corp.'s Platform Solutions involve the licensing of core 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 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.

In addition to the semantic and NLP processing technology, the Breaking Data Corp. Platform Solutions business includes: (1) Search Software Development Kit (SDK) to mobile messaging providers. This product is called "Poynt-Enabled SDK" ; and (2) DTI, its subsidiary company that develops case management, tracking and reporting systems for Fortune 500 and other companies. DTI's expertise in case tracking issues and related industries has won strong praise from the ethics and compliance marketplace. DTI's product line comprises TrakBasic (R), TrakEnterprise(R), and TrakWeb(TM).

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

BreakingSports App

Since 2007, Breaking Data Corp. has been developing natural language, machine learning 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, are showcased in its latest product, the BreakingSports App (or "BreakingSports"). This app is taking aim at a massive high growth sports information industry 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. Launched on February 23, 2015, BreakingSports tracks social media, in real-time, for significant sports information and events and distributes summarized information through real-time push notifications to consumers. By utilizing advanced artificial intelligence techniques, BreakingSports can detect events as they happen and as they are announced in social media, determine the 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 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 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 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, both of which are ideally suited for monetization through native advertising. Other monetization options include freemium models, with upgrades to subscribe to more teams and topics and/or ad-free streams. While the current real-time semantic processing pipeline understands North American football, basketball, baseball, hockey and race car driving, it can, and will be easily configured to include other sports moving forward, as well as potentially other categories of information, ushering in 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 allows users to subscribe to their favorite teams and players so that they never miss a beat. Whether it is a headline, injury, trade, or scoring alert, BreakingSports users are the first to know.

BreakingSports delivers the fastest breaking sports news and alerts to users by integrating social media sourced updates. Through specialized algorithms, BreakingSports taps social media for the latest sports news and delivers it to users in a fully automated real time manner.

Additional 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 rumors;
- 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.

<u>The Poynt App Strategy</u>

The Poynt App is a convenient and timesaving GPS-enabled application that connects consumers to local businesses, restaurants, events and movie theatres at the moment they want to buy or acquire products or services. The Poynt App gives consumers the ability to move beyond discovery of their local area to view movie trailers and show times, book dining reservations, view directions on a map, click-to-call the business or view their website. The system is designed to make searching for local products/services/merchants quick and easy.

The differentiators that position Poynt as the leading mobile local search application include being deeply integrated into the native applications and capabilities of each device platform. This includes integration into contacts by adding addresses directly from within the Poynt App, adding calendar entries for dinner reservations and movie tickets, providing directions on a map and delivering results to friends or colleagues via email. The Poynt App also integrates with voice activation, virtual reality and gesture calling.

The Poynt App is built as a native client based upon SDKs from Google and Apple. The Poynt App integrates with the various libraries on each device to access the address book, calendar, GPS, maps, etc. This enables users to carry out the features available within the Poynt App such as adding calendar events for dining, events and movies, adding listing results to the address book or forwarding listing information to a friend via email. The client communicates with the Company's backend operating environment to retrieve data based upon the user's request.

Since acquiring Poynt, the Company has initiated a number of strategic partnerships that provide enhanced capabilities within the Poynt application and/or enables better commercialization of the existing users.

Poynt App and iBeacons

As a local search app, Poynt application users represent ideal targets for local advertising. In 2014/2015 we saw additional emphasis on the use of Apple’s iBeacon technology as a basis for detecting user location and sending them relevant advertising. iBeacon technology allows advertisers to do indoor advertising while targeting different users based on proximity to the closest beacon so that users can receive varying ads in different sections of the store.

In 2014, the Company developed and integrated an iPhone beacon technology providing users with the ability to receive promotions based on their proximity to an iBeacon. The Poynt application has been launched with the integrated beacon technology in partnership with Juice Mobile. These iBeacon campaigns are expected to be active during the 2016 fiscal year resulting in new revenue streams for the Poynt application. Feedback from our partner has been very positive in terms of the number of potential impressions that can be generated from the Poynt user base through iBeacon proximity.

Semantic Analysis of Social Media Content

Breaking Data Corp. has accumulated considerable intellectual property and expertise in the areas of 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, 2016

The business and related public news highlights are outlined below:

1. **On February 12, 2015** – the Company issued 4,285,714 units at $0.35 for gross proceeds of $1.5 million. Each unit consists of one common share and one share purchase warrant at an exercise price of $0.45 for 24 months.
2. **On February 12, 2015 -** the Company repaid a debenture with a principle amount of $500,000 and the Company issued a new $500,000 convertible debenture which will be convertible into common shares of the Company at conversion price of $0.38 per share until maturity. The convertible debenture will mature in 24 months. In connection with the debenture the Company issued 1,315,789 warrants at an exercise price of $0.50 for 24 months.
3. **On February 12, 2015 -** the Company issued 428,571 shares at $0.35 to satisfy debt of $150,000.
4. **On February 23, 2015** - the Company announced that it launched its BreakingSports App for Android, available now on Google Play Store.

5. **On March 12, 2015 -** the Company issued 8,125,000 units at $0.40 for gross proceeds of $3.25 million. Each unit consists of one common share and one half of one share purchase warrant. Each whole warrant exercise price is $0.50 for 18 months.
6. **On March 13, 2015 -** the Company announced that it has now integrated NCAA Men's Basketball ("NCAAMB") into its BreakingSports app, giving users real time news and updates, scores and statistics. The new NCAAMB feed will allow users to follow NCAAMB teams and players of their choice and filter the news and information to their liking. BreakingSports is ready to deliver fast and compelling news, in a fully automated, real time manner, with push notifications, to users throughout the upcoming NCAA March Madness tournament.
7. **On March 23, 2015 -** the Company announced that it has entered into a strategic agreement with Pointstreak 5050 an electronic raffle software system that drives consumer participation in raffle events while providing accountability to the raffle process. Pointstreak 5050 system electronically captures every transaction while providing updated real-time raffle information to display devices located throughout the venue. Pointstreak 5050 is the market leader and is currently used by over 250 different venues throughout North America, including over 70 major professional sports teams (e.g. NFL, MLB, NBA, NHL, etc.), 16 NCAA institutions and reaches over 100 million sports fans annually.
8. **On March 30, 2015** - the Company announced that its BreakingSports App Gains Traction with over 100k Downloads in less than 30 days amidst NCAA March Madness. In addition, BreakingSports was s*elected as 1 of 5 apps to follow the NCAA tournament, by USA Today.* BreakingSports has been well received by sports fans and fantasy players and most recently by those who are following teams or their brackets in the NCAA March Madness tournament. In addition, the app has garnered other valuable metrics including the delivery of over 10 million notifications to its users, via more than 1.1 million pieces of relevant, filtered and categorized content. Users average over 8 custom subscriptions (of their chosen teams and/or players) and are viewing more than 8 pages per session, leading to significant engagement and session time, throughout the day. This meaningful level of engagement will continue to grow as users beef up their subscriptions and hone their preferred choice of filters.
9. **In March 2015 -** the Company issued 550,000 options to consultants with exercise prices ranging from $0.45 to $0.62.
10. **On April 1, 2015** - the Company issued 25,000 shares upon the exercise of 25,000 share purchase options and an exercise price of $0.63 for proceeds of $15,750.
11. **On April 20, 2015** - the Company announced that BreakingSports launched "Live-Feeds." This revolutionary new functionality dramatically improves search and discovery of live-streaming platforms like Periscope and Meerkat by delivering real-time videos to BreakingSports app users based on their subscriptions and filters.
12. **On May 19, 2015 -** the Company announced that it has entered into an agreement with Anthem Sports & Entertainment Corp. ("Anthem") a global specialty content platform focused on passionate sports and lifestyle communities across multiple media. Under the terms of the agreement, the Breaking Data Corp. BreakingSports app will provide Anthem's offerings including its award winning RotoExperts.com fantasy content, articles and FNTSY Sports Network videos and entertainment to its growing user base. In exchange Anthem will market Breaking Data Corps' BreakingSports app on Anthem's platforms.
13. **On June 3, 2015** – the Company announced that it launched NASCAR, F1 and Indy car racing feeds for its BreakingSports app, now available on Apple iOS and Google Play for Android.
14. **On July 7, 2015** – the Company announced an exclusive partnership that will see Fantasy Feud become the exclusive integrated daily fantasy sports platform of the BreakingSports app. Through this partnership, Fantasy Feud and the BreakingSports app have completed the development of an integrated technology

solution that will allow the more than 500,000 users of BreakingSports' mobile application the ability to automatically integrate a custom Fantasy Feud feed within the BreakingSports app. Daily fantasy sports participants have traditionally been required to search for relevant statistical information on their contest players. The partnership between Fantasy Feud and the BreakingSports app will enable Fantasy Feud's participants to receive instant and relevant data on players selected in each of their daily contests without the need to search in the traditional manner.

15. **On July 15, 2015** – the Company announced that its BreakingSports App has now integrated the English Premier League. With the start of the EPL season right around the corner, the app's latest coverage addition gives soccer fans the fastest news, from line-ups to injury reports, so they can stay up-to-date on their favorite teams and players.
16. **On July 16, 2015 –** the Company announced that it has entered into an exclusive agreement with **Tabcorp Holdings Limited (ASX:TAH)** ("Tabcorp") a world leading wagering company to offer a new version of its BreakingSports app to the Australian market. The agreement is mutually exclusive and provides Breaking Data Corp per click advertising revenue, with an annual minimum guaranteed level. The agreement will see wagering information and markets from TAB.com.au seamlessly integrated into the BreakingSports app news feed. In addition to the current sports available on the BreakingSports app, the new version will provide breaking news information from social media feeds about Australian Football (AFL) and Rugby League, EPL and A-League Soccer as well as International Cricket.
17. **On July 2 and July 17, 2015** - the Company issued 100,000 and 50,000 shares respectively upon the exercise of 150,000 broker warrants at an exercise price of $0.45 for total proceeds of $67,500.
18. **On July 31, 2015** - the Company announced that its BreakingSports app is now available on Apple Watch to give sports fans faster access to its up-to-the-second mobile alerts. This app update comes on the heels of the app surpassing 250,000 downloads in less than two months.
19. **On September 3, 2015** - the Company announced that its BreakingSports app is now including coverage for college football just in time for the season. To get fans excited, BreakingSports is announcing its College Football Campus Challenge that will reward the team school that has the most subscribers with a range of great prizes.
20. **On September 10, 2015 -** at an Annual and Special Meeting of Shareholders the Company obtained approval of a new 2015 option plan. In particular, the total amount of share purchase options available for issuance was increased from 5,469,541 to a maximum of 8,420,000.
21. **On October 1, 2015 –** the Company announced that Mr. Paul Sparkes was appointed to the Board of Directors at the Company's recent Annual and Special Meeting of Shareholder. In addition, Mr. Michael Serruya and Mr. Kevin Taylor did not stand for re-election and stepped down as directors.
22. **On December 10, 2015 -** the Company issued a corporate update that included the following items:
    a) On December 10, 2015, the Company granted 3.3 million options to board, management, staff and consultants, of which 2.45 million options where issued to 4 directors of the board and 3 members of management. Each option is exercisable at $0.25, vests over 24 months and expires on December 9, 2020.
    b) BreakingSports App launched in early 2015, has continued to grow with over 800,000 downloads to date. In addition, last month the app delivered over 50 million notifications and over 300,000 unique pieces of news.
    c) The Company is pleased to announce the appointment of Rajiv "Roger" Rai to its board of directors. Roger will be replacing Keith Yokomoto, who is moving on to pursue other interests.
23. **On January, 18, 2016 -** the Company announced that it issued a $500,000 principle amount secured convertible debenture financing with the lender making a further $500,000 available for drawdown under

the convertible debenture, at the Company's option, during the term of the convertible debenture. The key terms of the convertible debenture are as follows: one year term; interest of 8% per annum; secured against the assets of the Company; and, convertible into units of the Company at a conversion price of $0.35 per unit, with each unit comprised of one common share and one-half of one warrant, with each full warrant exercisable into a common share at an exercise price of $0.50 per share for a period of 12 months from conversion of the debenture.

RESULTS OF OPERATIONS

	Year ended January 31, 2016	Year ended January 31, 2015	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	**1,334,447**	1,858,792	(524,345)	-28%
Expenses				
Promotion and marketing	**1,868,639**	130,779	1,737,860	1329%
Employee salary and benefits expense	**870,005**	615,497	254,508	41%
Stock-based compensation	**868,921**	1,385,384	(516,463)	-37%
Research and development consultants compensation	**631,610**	757,312	(125,702)	-17%
Business development consultants compensation	**557,685**	396,128	161,557	41%
Management consulting compensation	**420,000**	420,000	-	0%
Amortization of intangibles	**389,812**	325,000	64,812	20%
Administration and operations	**401,600**	438,523	(36,923)	-8%
Application content expense	**180,196**	206,920	(26,724)	-13%
Accretion on debentures	**113,662**	51,929	61,733	119%
Professional fees	**104,028**	85,482	18,546	22%
Interest on debentures	**28,272**	82,669	(54,397)	-66%
Total Expenses	**6,434,430**	4,895,623	1,538,807	31%
NET LOSS BEFORE GAIN ON SALE OF ASSETS, INTEREST EARNED, IMPAIRMENT OF GOODWILL AND WRITE-OFF OFF INTELLECTUAL PROPERTY	**(5,099,983)**	(3,036,831)	(2,063,152)	68%
Gain on sale of asset	**127,211**	-	127,211	100%
Interest earned	**-**	1,669	(1,669)	-100%
Impairment of goodwill	**-**	(1,094,023)	1,094,023	-100%
Write-off of intellectual property	**-**	(1,650)	1,650	-100%
NET LOSS FOR THE YEAR	**(4,972,772)**	(4,130,835)	(841,937)	20%
Cumulative translation adjustment	**93,584**	19,198	74,386	387%
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(4,879,188)**	(4,111,637)	(767,551)	19%

Analysis of revenues and expenses

Revenues for the year ended January 31, 2016 were $1,334,447 compared to $1,858,792 for the year ended January 31, 2015, a decrease of $524,345 or 28%. This decrease resulted primarily from of the absence of 2 consulting agreements that the Company completed in the first 2 quarters of last year for $675,000; offset by increases in revenues from Poynt the Company's wholly owned subsidiary.

In addition, as the Company has now transitioned into marketing and growing its BreakingSports app and providing its technology platform to various business verticals, development resources have been focused on these initiatives. To that end, the BreakingSports app has contributed some early stage revenues and the Company invested significantly in marketing and promotion to grow the app's user base.

In recent months, the Company is pleased to report that new pilot projects have begun and while they do produce some moderate revenue in the near term, more importantly they continue to validate the Company's growth strategy and value propositions to various new and potential partners, in multiple verticals.

Most recently the Company has been engaged to build and license a proprietary enterprise solution for a world leading large multinational technology company which includes 2 phases consisting of web based customized search tool in phase 1 and a visualization of entities in phase 2. As well the Company is engaged in a new project related to disaster alerts in real-time that began subsequent to the year end.

To that end, the Company continues to pursue a number of opportunities to integrate its NLP and sematic search capabilities with other companies in different verticals, as a consumer or enterprise solution. There is no assurance at this time that opportunities in the pipeline will materialize into revenue generating agreements for the Company; nevertheless; these strategic projects that are in discussion and/or negotiation stages, continue to validate the wide range of interest and potential value of the Company's technology platform.

Promotion and marketing expense was $1,868,639 for the year ended January 31, 2016, compared to $130,779 for the year ended January 31, 2015, an increase of $1,737,860 or 1329%. This increase is primarily related to the Company's launch and continuing marketing of its BreakingSports app. 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. While the Company has grown to over 900,000 downloads of its new app (which also translates to over 40 million notifications, on average monthly, to active users and the delivery of over 300,000 unique pieces of news), it fully expects this allocation of marketing dollars to be discretionary an significantly reduced, moving forward. Consequently, the Company will continue to evaluate marketing opportunities and ROI in order to maximize the conversion of downloads to active users of its app. Nevertheless, the Company raised funds at the beginning of the fiscal year and allocated a specific amount of these funds to a strong, strategic and successful marketing effort around the BreakingSports app, which, on the whole, has garnered significant user activity and engagement by many thousands of daily users.

Employee salary and benefits expense was $870,005 for the year ended January 31, 2016, compared to $615,497 for the year ended January 31, 2015, an increase of $254,508 or 41%. 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 increase is a direct result of added headcount, specifically in product development and programming and is also in part, offset by the decrease in Research and development consultants (see below) as the Company grew its full time employees and decreased some of its outsourced resources. Towards the end of this fiscal year, the Company reduced this cost with specific reductions to staff related to the marketing and promotion of its BreakingSports app.

Stock-based compensation was $868,921 for the year ended January 31, 2016 compared to $1,385,384 for the year ended January 31, 2015, a decrease of $516,463 or 37%. 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. This will even out in the new year due to a tranche of options issued to board, management and staff in December 2015 which will increase this expense in future quarters.

Research and development consultants' compensation for the year ended January 31, 2016 were $631,610 compared to $757,312 for the year ended January 31, 2015, a decrease of $125,702 or 17%. As noted above, the Company has transitioned contractors to payroll and reduced outsourcing contracts while it modifies and strengthens its internal R&D team of developers. With a consulting and outsourced component to this expense the Company 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 semantics, NLP development, application interface (AI) friendliness and platform initiatives on both iOS and Android handsets. 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.

Business development consultants' compensation for the year ended January 31, 2016 were $557,685 compared to $396,128 for the year ended January 31, 2015, an increase of $161,557 or 41%. The Company has invested in business development to facilitate its growth and create new strategic opportunities that are 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 fiscal year. The Company recently retained new business development consultants at the end of last fiscal year and into this fiscal year to further its goals, which will increase this expense moving forward. This increased expenditure is expected to result in strategic partnerships and other revenue generating deals, some of which have already materialized.

In recent months, the Company is pleased to report that new pilot projects have begun and while they do produce some moderate revenue in the near term, more importantly they continue to validate the Company's growth strategy and value propositions to various new and potential partners. To that end, most recently the Company has been engaged to build and license a proprietary enterprise solution for a world leading large multinational technology company which includes 2 phases consisting of web based customized search tool in phase 1 and a visualization of entities in phase 2.

In addition, the Company is in advanced discussions to integrate its NLP and sematic search capabilities with other companies in different verticals. There is no assurance at this time that opportunities in the pipeline will materialize into revenue generating agreements for the Company; nevertheless; these unsolicited strategic projects that are in discussion and/or negotiation stages, continue to validate the wide range of interest and potential value of the Company's technology platform.

Development personnel continue to facilitate and implement new strategic initiatives around the evolution of the BreakingSports app, the Poynt app and the Software Development Kits (SDK's) and prospective opportunities for our technology platform in various business verticals.

Management consulting compensation for the year ended January 31, 2016 was $420,000 compared to $420,000 for the year ended January 31, 2015. 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 $389,812 for the year ended January 31, 2016 compared to $325,000 for the year ended January 31, 2015, and increase of $64,812 or 20%. The increase is entirely a result of the amortization of specific granted patents that were capitalized in the past. These patents have a useful life and their amortization is now being applied. In addition, the other part of the expense, consistent with last year is the result of the amortization of intangibles acquired in the Poynt business acquisition on July 30, 2013. The intangibles acquired are broken down 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. Amortization was recorded during the year on the Intellectual Property and Poynt user base applying an effective amortization period of 6 years.

Administration and operations expenses for the year ended January 31, 2016 were $401,600 compared to $438,523 for the year ended January 31, 2015, representing a decrease of $36,923 or 8%. 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 of a combination of items including; a decrease in hosting expenses, an increase in maintenance and small equipment expense to maintains its mobile testing equipment, and decreases in general office, insurance, telephone and internet expenses that have small fluctuations from month to month.

Application content expense for the year ended January 31, 2016 were $180,196 compared to $206,920, a decrease of $26,724 or 13%. 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 small savings during this fiscal year.

Accretion on debentures was $113,662 for the year ended January 31, 2016 compared to $51,929 for the year ended January 31, 2015, an increase of $61,733 or 119%. This expense is a non cash item. The accretion this period was accelerated with net repayments made in the year of $590,000 and a new debenture for $500,000 issued before fiscal year end.

Professional fees for the year ended January 31, 2016 were $104,028 compared to $85,482 for the year ended January 31, 2015, an increase of $18,546 or 22%. 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 some fees related to its corporate name change and symbol change.

Interest on debentures was $28,272 for the year ended January 31, 2016 compared to $82,669 for the year ended January 31, 2015, a decrease of $54,397 or 66%. This decrease was as a result of the smaller outstanding balance of the debentures during the year. In addition, a new debenture for $500,000 has no interest attached to it in lieu of bonus shares issued.

Gain on sale of assets was $127,211 for the year ended January 31, 2016 compared to $nil for the year ended January 31, 2015. 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 $nil for the year ended January 31, 2016 compared to $1,669 for the year ended January 31, 2015. This decrease was as a result of cash balances invested in term deposits in the previous fiscal year while the Company maintained all its funds in a non-interest bearing operating account this fiscal year.

Liquidity and Capital Resources

For the year ended January 31, 2016, there was a net cash outflow from operating activities of $4,085,476 compared to a net cash outflow of $886,286 for the year ended January 31, 2015, a difference of $3,199,190.

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

1) An increase in the net loss to $4,972,772 for the year ended January 31, 2016 compared to a net loss of $4,111,637 for the year ended January 31, 2015, that accounts for an increase of $861,135 in cash used for operating activities. This resulted from lower revenues and higher expenses as discussed in the analysis of expenses above;

2) A decrease in non-cash based expensing of stock-based compensation of $868,921 for the year ended January 31, 2016 compared to $1,385,384 for the year ended January 31, 2015, that accounts for a decrease of $516,463 in non-cash item that is added back to cash flow from operations;

3) A decrease non-cash item related to common shares issued for interest resulted in a decrease of $39,044 that is added back to cash flows from operations;

4) A decrease non-cash items related to impairment of goodwill and write-down of intellectual property resulted in a decrease of $1,094,023 and $1,650 respectively, in non-cash items that are added back to cash flows from operations;

5) Net cash outflow resulting from the net change in non-cash working capital items related to operations of $535,273 for the year ended January 31, 2016 compared to a net cash inflow of $328,321 for the year ended January 31, 2015, that accounts for a decrease of $863,594 in non-cash working capital items that are added back to cash flow from operations.

   Offset by;

6) An increase in amortization of intangible assets from $389,812 for the year ended January 31, 2016, to $325,000 for the year ended January 31, 2015, that accounts for an increase of $64,812 in a non-cash item that is added back to cash flow from operations.

7) An increase in the non-cash accretion on debentures of $113,662 for the year ended January 31, 2016, compared to $51,929 for the year ended January 31, 2015, that accounts for an increase of $61,733 in non-cash item that is added back to cash flows from operations.

8) An increase in unrealized foreign exchange loss of $50,174, 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:

Increase in net loss	$	(861,135)
Lower stock-based compensation		(516,463)
Decrease in common shares issued for interest		(39,044)
Decrease in impairment of goodwill		(1,094,023)
Decrease in write-down of intellectual property		(1,650)
Higher outflows in non-cash working capital		(863,594)
Higher amortization of intangibles		64,812
Higher accretion of debentures		61,733
Increase in unrealized foreign exchange loss		50,174
Increase in the net cash used for operations	$	(3,199,190)

As at January 31, 2016 the Company had negative working capital of $198,683 compared to negative working capital of $1,607,194 as at January 31, 2015, a difference of $1,408,511. This decrease in negative working capital is primarily a result of higher cash (by $540,356), higher trade receivables (by $74,154) and higher prepaid expenses (by $305,701) as well as a decrease ($488,300) in all current liabilities which is due to decreased debentures, decreased payables and lower deferred revenues.

The large increase in prepaid expenses was due to the prepayment of a long term marketing contract to grow the BreakingSports app and provide various strategic opportunities.

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.

Outstanding Share Data

As at January 31, 2016, the number of outstanding shares was 42,109,919 (January 31, 2015 – 29,095,634).

On February 12, 2015, Company issued 4,285,714 units at $0.35 for gross proceeds of $1.5 million. Each unit consists of one common share and one share purchase warrant at an exercise price of $0.45 expiring in 24 months. Also, on February 12, 2015 the Company issued 428,571 shares at $0.35 to satisfy debt of $150,000. On March 12, 2015 the Company issued 8,125,000 units at $0.40 for gross proceeds of $3.25 million. Each unit consists of one common share and one half of one share purchase warrant. Each whole warrant exercise price is $0.50 for a term of 18 months. On April 1, 2015 the Company issued 25,000 shares upon the exercise of 25,000 share purchase options at an exercise price of $0.63 for proceeds of $15,750. On July 2 and July 17, 2015, the Company issued 100,000 and 50,000 shares respectively upon the exercise of 150,000 broker warrants at an exercise price of $0.45 for total proceeds of $67,500.

As at May 30, 2016 the number of shares outstanding was 42,109,919.

As at January 31, 2016, the Company had 7,500,000 share purchase options outstanding (January 31, 2015 – 4,855,000). During the year ended January 31, 2016, the Company issued 3,850,000 new options at prices ranging from $0.25 to $0.62. Included in this total are 3.3 million options granted to board, management, staff and consultants. Each option is exercisable at $0.25, vests over 24 months and expires on December 9, 2020. In addition, 1,180,000 options were cancelled or expired and 25,000 options were exercised at a price of $0.63.

As at May 30, 2016, the number of outstanding options was 7,500,000.

As at January 31, 2016 the Company had a total of 9,514,003 warrants and nil finders' warrants outstanding (January 31, 2015 – nil and 355,921). During the year the Company granted a total of 9,664,003 warrants. On February 12, 2015, in connection with a private placement financing, 4,285,714 warrants were issued with an exercise price of $0.45 for 24 months. Also on February 12, 2015, in connection with the issuance of a $500,000 debenture, the Company issued 1,315,789 warrants at an exercise price of $0.50 for 24 months. On March 12, 2015, in connection with a private placement financing, 4,062,500 warrants were issued with an exercise price of $0.50 for 18 months. During the year on July 2 and July 17, 2015, the Company issued 100,000 and 50,000 shares respectively upon the exercise of 150,000 broker warrants at an exercise price of $0.45 for total proceeds of $67,500.

During the year on September 3, 2015, 355,921 finders' warrants expired.

As at May 30, 2015 the number of warrants outstanding was 9,514,003 and the number of finders warrants outstanding was nil.

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, 2016.

	31-Jan-16	31-Oct-15	31-Jul-15	30-Apr-15	31-Jan-15	31-Oct-14	31-Jul-14	30-Apr-14
Revenues	**365,609**	**282,895**	**369,070**	**316,873**	**309,550**	**276,335**	**677,306**	**595,601**
Net Loss	**(1,157,978)**	**(1,437,217)**	**(1,061,827)**	**(1,222,166)**	**(1,718,022)**	**(922,291)**	**(557,829)**	**(913,495)**
EPS	**(0.03)**	**(0.03)**	**(0.03)**	**(0.03)**	**(0.06)**	**(0.03)**	**(0.02)**	**(0.03)**

SEGMENTED INFORMATION

The Company had two geographical segments as at and for the periods ended January 31, 2016 and 2015, 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 period ended January 31, 2016			As at and for the period ended January 31, 2015		
	Canada	United States	Total	Canada	United States	Total
Current assets	**1,387,853**	**143,728**	**1,531,581**	511,904	99,466	611,370
Total assets	**3,059,563**	**143,728**	**3,203,291**	2,479,405	99,466	2,578,871
Total liabilities	**1,610,398**	**119,866**	**1,730,264**	2,114,280	104,284	2,218,564
Revenue by segment location	**971,142**	**363,305**	**1,334,447**	1,461,514	397,278	1,858,792
Revenue by customer location	**146,885**	**1,187,562**	**1,334,447**	1,041,110	817,682	1,858,792
Total expenses	**6,072,205**	**362,225**	**6,434,430**	4,528,183	348,242	4,876,425
Amortization of intangible assets	**389,812**	**-**	**389,812**	325,000	-	325,000
Interest and accretion on debentures	**141,934**	**-**	**141,934**	134,598	-	134,598
Impairment of goodwill	**-**	**-**	**-**	1,094,023	-	1,094,023
Write off of intangible assets	**-**	**-**	**-**	1,650	-	1,650
Gain on sale of assets	**127,211**	**-**	**127,211**	-	-	-
Interest earned	**-**		**-**	1,669	-	1,669
Net income (loss)	**(4,973,852)**	**1,080**	**(4,972,772)**	(4,160,673)	49,036	(4,111,637)

Significant Customers

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.

For the year ended January 31, 2015, sales from one customer amounted to $675,000 which represented 36%, of total revenues.

SUBSEQUENT EVENTS AND NEWS

1. **February 16, 2016 - Breaking Data Corp. Announces Partnership with Pacific Disaster Center and Kontur Labs to Provide Real Time Alerts About Natural Hazards around the Globe.** The Company announced today 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 Breaking Data'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.

   This positions Breaking Data's expertise towards important new verticals and augments DisasterAWARE's comprehensive hazard monitoring and reporting capabilities by enabling the predictive and real-time identification of hyper local information across social media around the world as an innovative source. DisasterAWARE's powerful global event detection, monitoring and visualization platform provides easy access to near real-time and historical data about natural hazards, along with information regarding potential risks and impacts from these events to executive decision-makers. Its spatial content library of over 2,000 contextual data layers, suite of collaborative tools, and user-friendly, cross device usability enable effective, evidence-based decision-making for top US, UN, and global humanitarian assistance and emergency response agencies, international governments, and business continuity teams at hundreds of F1000 companies. DisasterAWARE allows teams to overlay global near real-time and historical hazard and impact data, including earthquakes, tsunamis, floods, wildfires, cyclones, conflicts, and more. Its integrated modeling capabilities allow fusion of other valuable information, such as population, infrastructure and critical facilities, helping organizations better prepare for and respond to events, while enabling planners to accelerate mitigation strategies and efforts, all aimed to minimize the loss of life and property.

   This partnership aims to implement Breaking Data's technology for semantic analysis of real-time social media streams in detection of natural disaster events, further enhancing DisasterAWARE's existing capabilities. Breaking Data's machine learning algorithms will be employed to identify various natural disasters from numerous user reports, identify their geographical locations, and eliminate the noise often found in social media streams, providing fast and reliable detection of real-world natural disaster events based on user activity on social media.

2. **February 17, 2016 - BreakingSports Partners with FanSided for Editorial Content.** The Company announced a partnership with FanSided to provide its BreakingSports app users access to editorial content. BreakingSports, the app that delivers the fastest sports news and updates, will now deliver editorial content from FanSided that includes a thriving collection of over 300 communities dedicated to bringing together fans to share their common passions. With BreakingSports, users receive timely push notifications on their favorite players and teams with social media sourced updates. The app utilizes specialized algorithms that tap Twitter, Reddit, Instagram, and news outlets for the latest sports updates and delivers them to users in fully automated real time.

3. **May 24, 2016 - BreakingSports Delivers Soccer SMS Alerts with Partner, MobileContent.com Limited.** The Company announced that they have reached a monetization agreement with MobileContent.com

Limited, a leading value added service provider in Ghana and West Africa, to deliver Soccer SMS alerts in Ghana.

MobileContent.com Limited is the leading Ghanaian value-added-service (VAS) provider and the preferred link for music, sports, news, games, health, inspiration etc. on mobile telephony. Its services build a crucial link to entertainment and information for mobile users in Ghana and selected West African markets. Ghana is its biggest market with over 35 million subscribers.

With this agreement MobileContent.com Limited will use BreakingSports technology to deliver Soccer SMS alerts from major European leagues via mobile service providers including MTN and Vodafone thereby creating Africa's first natural language processing (NLP) and semantic soccer alert service from trusted sources by category in an automated real-time manner. Users pay for this value added service and Breaking Data will share revenue with MobileContent.com Limited.

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, 2016.

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, translated into Canadian dollars, and Poynt Inc. All significant intercompany accounts and transactions have been eliminated.

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

Comparative figures -

For comparative purposes certain prior period balances have been reclassified in order to conform to the current presentation. There has been no change to prior period losses or adjustment to retained earnings as a result of these reclassifications.

Basis of measurement -

The accompanying consolidated financial statements have been prepared on the historical cost basis with the exception of 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 is the Canadian dollar and the functional currency of DTI is the US dollar. The financial statements of 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, 2016, the Company recognized a foreign exchange gain of $19,128 (2015 – gain of $12,319), 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, 2016, the Company capitalized development costs of $nil (2015 - $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.

The Company does not currently amortize the carrying value of the deferred patent costs as they are considered to be assets with indefinite lives until such time that the applications are accepted and a definite life has been determined.

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, 2016, the Company capitalized intangible assets and goodwill of $31,078 (2015 - $116,084).

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, 2016, the Company has recorded the write-down of intangible assets of $nil (2015 - $1,650) and impairment of goodwill of $nil (2015 - $1,094,023).

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 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 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, 2016, the Company has recognized goodwill impairment of $nil (2015 - $1,094,023).

(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) Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Financial instruments –

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 statement 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 receivable	Loans and receivables

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

Financial instruments recorded at fair value in the consolidated statement 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 and term deposits are 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 issued in November 2009 and subsequently amended as part of an ongoing project to 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 interim condensed consolidated financial statements:

a. As of January 31, 2016 the Company had $73,735 (January 31, 2015 - $87,140) of accounts payable due to two officers of the Company (one of whom is also a director of the Company) and another director of the Company.
b. Research and development consultants compensation of $210,000 were incurred with one officer of the Company during the year ended January 31, 2016 (January 31, 2015 - $180,000). 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, 2016 (January 31, 2015 - $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 $120,000 were incurred during the year ended January 31, 2016 (January 31, 2015 - $45,900) with a current director of the Company.
e. 2,450,000 Options were granted to directors and officers of the Company during the year ended January 31, 2016 (January 31, 2015 – nil).
f. 100,000 Options were granted to a company owned by a directors of the Company during the year ended January 31, 2016 (January 31, 2015 – nil).

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, 2016, 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.