REWARDSTREAM SOLUTIONS INC.

(FORMERLY REWARDSTREAM INC.)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2016 WITH 2015 COMPARATIVES

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

REWARDSTREAM SOLUTIONS INC.
(FORMERLY REWARDSTREAM INC.)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN CANADIAN DOLLARS
(UNAUDITED)

As at		March 31, 2016 (unaudited)		September 30, 2015 (audited)
ASSETS (notes 8 and 16)				
CURRENT ASSETS				
Cash	$	115,433	$	273,472
Accounts receivable (note 12)		148,064		115,145
Investment tax credits receivable (notes 8 and 11)		255,224		403,616
Prepaid expenses and deposits		38,639		14,978
		557,360		807,211
DEPOSITS		-		18,665
EQUIPMENT (note 6)		29,455		34,101
	$	586,815	$	859,977
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (note 12)	$	348,061	$	211,704
Deferred revenue		31,139		85,784
Current portion of finance lease obligations (note 7)		4,106		4,666
Loans payable (notes 8 and 12)		618,216		526,176
		1,001,522		828,330
FINANCE LEASE OBLIGATIONS (note 7)		4,307		5,651
		1,005,829		833,981
EQUITY (DEFICIENCY)				
SHARE CAPITAL (note 9)		7,192,506		6,618,213
RESERVES (note 9)		1,442,840		1,411,472
DEFICIT		(9,054,360)		(8,003,689)
		(419,014)		25,996
	$	586,815	$	859,977

On behalf of the Board:

"Ralph Turfus" (signed)

Mr. Ralph Turfus, Director

"Rob Goehring" (signed)

Mr. Rob Goehring, Director

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

REWARDSTREAM SOLUTIONS INC.
(FORMERLY REWARDSTREAM INC.)
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
EXPRESSED IN CANADIAN DOLLARS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31
(UNAUDITED)

	Three months ended March 31,		Six months ended March 31,	
	2016	**2015**	**2016**	**2015**
REVENUE (note 15)	$ 405,660	$ 470,356	$ 841,969	$ 860,673
COST OF SALES (note 15)	189,847	181,948	363,214	362,401
	215,813	288,408	478,755	498,272
EXPENSES				
Sales and marketing (note 10)	141,809	144,733	259,565	266,882
General and administrative (notes 8, 10, and 14)	333,638	393,537	649,492	674,689
Research and development, net of investment tax credits (notes 10 and 11)	15,119	13,256	28,554	25,680
Share-based compensation (notes 9 and 10)	12,752	120,087	590,597	151,309
Depreciation (note 6)	2,377	2,917	4,646	5,833
	505,695	674,530	1,532,854	1,124,393
LOSS FROM OPERATIONS	(289,882)	(386,122)	(1,054,099)	(626,121)
OTHER INCOME				
Foreign exchange gain	1,534	97,534	3,428	114,752
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (288,348)**	**$ (288,588)**	**$ (1,050,671)**	**$ (511,369)**
LOSS PER SHARE, BASIC AND DILUTED	**$ (0.03)**	**$ (0.04)**	**$ (0.09)**	**$ (0.06)**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**11,479,863**	**8,137,577**	**11,148,472**	**8,137,577**

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

REWARDSTREAM SOLUTIONS INC.
(FORMERLY REWARDSTREAM INC.)
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
EXPRESSED IN CANADIAN DOLLARS
(UNAUDITED)

	SHARE CAPITAL		RESERVES			
	Number of Shares	Amount	Share-Based Compensation Reserve	Warrant Reserve	Deficit	Total Equity
Balance at September 30, 2014	8,137,577	$ 4,774,912	$ 1,232,978	$ -	$ (5,159,960)	$ 847,930
Share-based compensation	-	-	151,309	-	-	151,309
Net loss for the period	-	-	-	-	(511,369)	(511,369)
Balance at March 31, 2015	8,137,577	$ 4,774,912	$ 1,384,287	$ -	$ (5,671,329)	$ 487,870
Balance at September 30, 2015	10,637,577	$ 6,618,213	$ 1,411,472	$ -	$ (8,003,689)	$ 25,996
Exchange of options for common shares	767,286	565,720	-	-	-	565,720
Exercise of warrants	75,000	8,573	-	-	-	8,573
Share-based compensation	-	-	25,644	5,724	-	31,368
Net loss for the period	-	-	-	-	(1,050,671)	(1,050,671)
Balance at March 31, 2016	11,479,863	$ 7,192,506	$ 1,437,116	$ 5,724	$ (9,054,360)	$ (419,014)

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

REWARDSTREAM SOLUTIONS INC.
(FORMERLY REWARDSTREAM INC.)
STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS
FOR THE SIX MONTHS ENDED MARCH 31
(UNAUDITED)

	2016	2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	$ (1,050,671)	$ (511,369)
Items not involving cash:		
Depreciation	4,646	5,833
Interest expense	23,610	-
Share-based compensation	590,597	151,309
	(431,818)	(354,227)
Changes in non-cash working capital items:		
Accounts receivable	(32,919)	203,544
Investment tax credits receivable	148,392	216,125
Prepaid expenses and deposits	(4,996)	10,886
Accounts payable and accrued liabilities	136,357	30,776
Deferred revenue	(54,645)	(6,543)
	(239,629)	100,561
FINANCING ACTIVITIES		
Receipt of cash from exercise of warrants and option exchange	9,340	-
Repayment of finance lease obligations	(1,904)	(4,176)
Loans received	400,000	-
Repayment of loans payable	(325,846)	(254,167)
	81,590	(258,343)
DECREASE IN CASH DURING THE PERIOD	(158,039)	(157,782)
CASH, BEGINNING OF PERIOD	273,472	446,397
CASH, END OF PERIOD	$ 115,433	$ 288,615
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid – finance lease obligations	$ 484	$ 211
Interest paid – loans payable	$ 12,982	$ 10,732

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

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

RewardStream Solutions Inc. (formerly RewardStream Inc.) (the "Company") is a provider of Software as a Service ("SaaS") marketing technology that powers loyalty marketing programs, referral programs and source code licensing programs. The Company's clients subscribe either to the Company's proprietary Lifecycle Marketing Platform ("LMP") or its Spark™ product to operate marketing programs that acquire, engage, optimize and retain customers and sales channels.

The Company was incorporated under the laws of British Columbia on March 23, 1999 and continued under the *Canada Business Corporations Act* on December 22, 1999. The Company was subsequently continued under the laws of British Columbia on October 21, 2015. The head office and records are located at 250 - 2985 Virtual Way, Vancouver, British Columbia, V5M 4X7.

These condensed interim financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of $1,050,671 for the six month period ended March 31, 2016 (March 31, 2015 - $511,369). As at March 31, 2016, the Company had an accumulated deficit of $9,054,360 (September 30, 2015 - $8,003,689). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company's continued existence is dependent upon its ability to complete the Transaction (note 16), raise additional capital, obtain financing, meet sales targets, stabilizing revenue sources and realizing positive cash flows from operations. Failure to do so would have an adverse effect on the financial position of the Company and its ability to continue as a going concern. These factors raise significant doubt about the Company's ability to continue as a going concern.

These condensed interim financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. AMALGAMATION AGREEMENT

On September 8, 2015, the Company signed an Amalgamation Agreement (the "Agreement") with Manado Gold Corp. ("Manado"), a publicly traded company on the TSX Venture Exchange, to form a single amalgamated company (the "Amalgamation"), RewardStream Solutions Inc. ("Solutions"). Manado was incorporated on August 13, 2010 in British Columbia, and its business is the acquisition, exploration and development of mineral properties located in Canada. Prior to the completion of the Amalgamation, Manado will complete the disposition of all of its mineral properties to its subsidiary, Manado Mining Corp. (the "Subsidiary").

Under the terms of the Agreement, the Company's shareholders will receive three and one half common shares of Solutions for each common share of the Company, and Manado's shareholders will receive one common share of Solutions for every four common shares of Manado. Upon completion of the Amalgamation, the Company will be the continuing entity and the shareholders of the Company will control approximately 65% of Solutions.

The completion of the Amalgamation is subject to a number of conditions, including:

2. AMALGAMATION AGREEMENT (Continued)

a) Completion of the transfer of Manado's mineral properties to the Subsidiary and the assumption by the Subsidiary of all obligations related to Manado's mineral properties;

b) Completion of two private placements, including:

   (i) Manado to raise up to $600,000 (the "Initial Private Placement") by issuing 12,000,000 units of Manado at a price of $0.05 per unit, with each unit consisting of one common share and one purchase warrant of Manado exercisable at $0.075 per share for a period of two years from the date of issuance. Manado will pay commissions or finder's fees where permitted of up to 10% of the gross proceeds. The Initial Private Placement will be completed prior to closing to provide an unsecured loan from Manado to the Company of $500,000 (note 8) and to pay costs of the re-organization; and

   (ii) Manado to raise additional funds concurrent with the Amalgamation (the "Concurrent Private Placement") for a minimum of $1,500,000 by issuing 21,428,572 units of Manado at $0.07 per unit. Each unit consists of one common share and one half purchase warrant of Manado exercisable at $0.10 per warrant for a period of two years from the date of issuance. The proceeds of the Concurrent Private Placement will be used to fund the marketing efforts of Solutions and for general corporate purposes.

c) Shareholder and regulatory approvals.

d) The Company will cancel all outstanding stock options.

Finder's fees of 900,000 post-Amalgamation common shares and $35,000 cash are payable on the closing of the Amalgamation.

On November 10, 2015, the shareholders of the Company approved the Amalgamation.

On April 8, 2016, the Company terminated the Agreement with Manado as Manado had not completed the Concurrent Private Placement.

On April 20, 2016, the Company entered into a letter of intent with Musgrove Minerals Corp. ("Musgrove") whereby Musgrove will acquire all of the outstanding shares of the Company (note 16).

3. BASIS OF PRESENTATION

a) Statement of compliance

   These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and in compliance with International Accounting Standard ("IAS") *34 Interim Financial Reporting*. The notes presented in these condensed interim financial statements include only significant events and transactions occurring since our last fiscal year-end and are not fully inclusive of all matters required to be disclosed in our annual audited financial statements. Accordingly, these condensed

3. BASIS OF PRESENTATION (continued)

a) Statement of compliance (continued)

interim financial statements should be read in conjunction with our most recent annual audited financial statements for the year ended September 30, 2015.

b) Approval of the condensed interim financial statements

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on May 30, 2016.

c) Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies have been applied on a basis consistent with those followed in the most recent annual financial statements. These condensed interim financial statements have been prepared in accordance with the accounting policies based on IFRS standards issued and effective as of October 1, 2015.

Use of estimates and judgments

The preparation of these condensed interim financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates include:

- The collectability of accounts receivable

  Accounts receivables are recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.

- The determination of qualified expenditures to calculate investment tax credits receivable

  Amounts recorded for investment tax credits receivable are calculated based on the expected eligibility and tax treatment of qualifying scientific research and experimental development expenditures recorded in the Company's condensed interim financial statements.

- The determination of the fair value of the common shares issued

  The common shares issued are valued at either the fair value of the goods or services received or at the fair value of the equity instruments granted. The Company has estimated the fair value of the equity instruments issued during the period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

- The assumptions used in calculating share-based compensation expense

  The fair value of share options granted is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Company estimates volatility based on historical share price of comparable companies excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options is based on historical experience and general option holder behavior. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit and the rate is adjusted to reflect the actual number of options that actually vest.

Significant areas requiring the use of management judgments include:

- The completeness of deferred revenue

  Deferred revenue consists primarily of deferred software implementation contracts. Management has determined that the implementation revenue should be recognized based on the completion of the services implementation contract at period-end. Management applies judgment when determining the completion applicable to fixed-fee service contracts.

- The going concern assumption

  The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

The Company bases its estimates and judgments on current facts and various other factors that it believes to be reasonable under the circumstances. The actual results experienced by the Company may differ materially and adversely from the Company's estimates and could affect future results of operations and cash flows.

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended March 31, 2016, and have not been applied in preparing these condensed interim financial statements. The Company is assessing the impact of these standards on its condensed interim financial statements.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Applicable to the Company’s annual period beginning October 1, 2018.

IFRS 9 *Financial Instruments* (2014)

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9 and is applicable to the Company’s annual period beginning October 1, 2018.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.

- *Classification and measurement of financial liabilities:*
  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

EXPRESSED IN CANADIAN DOLLARS

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

- *Impairment of financial assets:*

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*

  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

6. EQUIPMENT

	Computer Equipment	**Furniture and Equipment**	**Total**
Cost			
Balance, September 30, 2014	628,281	106,825	735,106
Write-downs	(437,559)	-	(437,559)
Additions	10,238	-	10,238
Balance, September 30, 2015 and March 31, 2016	**$200,960**	**$106,825**	**$307,785**
Accumulated Depreciation			
Balance, September 30, 2014	599,700	95,091	694,791
Write-downs	(433,614)	-	(433,614)
Charge for the year	10,160	2,347	12,507
Balance, September 30, 2015	$176,246	$97,438	$273,684
Charge for the period	3,707	939	4,646
Balance, March 31, 2016	**$179,953**	**$98,377**	**$278,330**
Carrying Value			
September 30, 2015	$24,714	$9,387	$34,101
March 31, 2016	**$21,007**	**$8,448**	**$29,455**

Included in computer equipment is leased computer equipment with a net carrying value of $21,007 (September 30, 2015 - $24,714).

EXPRESSED IN CANADIAN DOLLARS

7. FINANCE LEASE OBLIGATIONS

The Company finances certain computer equipment using finance leases. The liability recorded under the finance lease represents the minimum lease payments payable, net of imputed interest.

The Company's obligations under finance leases as at March 31, 2016 and September 30, 2015 consist of:

	March 31, 2016	September 30, 2015
Dell finance lease payable in monthly instalments ranging from $36 to $149, including interest, ranging from 9.99% to 10.1% per annum	$ 8,897	$ 10,894
Less: Interest	484	577
	8,413	10,317
Less: Current portion	4,106	4,666
	$ 4,307	$ 5,651

Minimum repayments are as follows:

2015	$2,002
2016	4,316
2017	2,095
	$8,413

8. LOANS PAYABLE

On September 2, 2014, the Company received a Scientific Research and Experimental Development ("SR&ED") loan (the "Loan") from three unrelated individuals for a total of $250,000 at an interest rate of 20%, calculated and compounded monthly. The Loan was secured by a general security agreement on the assets of the Company. Included in general and administrative expenses is an interest expense of $10,732 for the period ended March 31, 2015.

On December 15, 2014, the Company received its 2014 SR&ED payment of $445,664 and repaid the Loan and accrued interest.

On May 1, 2015, the Company received another SR&ED loan ("Loan #2") from the same three unrelated individuals (the "Lenders") for a total of $300,000 at an interest rate of 20%, calculated and compounded monthly. Included in general and administrative expenses is an interest expense of $12,982 for the period ended March 31, 2016. Loan #2 was secured by a general security agreement on the assets of the Company.

8. LOANS PAYABLE (Continued)

On December 9, 2015, the Company received its 2015 SR&ED payment of $403,616 and repaid the Loan #2 and accrued interest.

On September 25, and November 13, 2015, pursuant to the Amalgamation (note 2), the Company received $200,000 and $300,000 loans, respectively, from Manado. The loans are unsecured and bear interest at a rate of 10% per annum, and are due six months from issuance. Included in general and administrative expenses is interest expense of $21,563 for the period ended March 31, 2016. Subsequent to March 31, 2016, the Company, Manado and a third party entered into a Loan Debt Assignment and Extension Agreement (note 16).

On March 4, 2016, the Company entered into a credit agreement with Code Consulting Limited ("Code") (the "Credit Agreement"). Under the terms of the Credit Agreement, Code agreed to lend up to $200,000 to the Company in two advances of $100,000. The loan bears interest at 10% per annum compounded monthly. Code is also entitled to receive 40,816 warrants of the Company for each $100,000 advanced. The warrants are exercisable at a price of $0.98 and expire on March 4, 2018. The loan is payable in full on June 12, 2016 and is secured by a general security agreement on the assets of the Company (the "Security"). Interest on the outstanding balance shall accrue at 20% per annum upon the occurrence of an event of default. The loan is in default if the Company fails to make any payment of principal or interest when due or if the Company fails to complete the Amalgamation by April 15, 2016. On an event of default, Code, may demand payment of all monies owed and the Company may within 30 days of such demand redeem the Security by paying Code all amounts owed (note 16). On March 4, 2016, the Company received an advance of $100,000 and issued 40,816 warrants. The Company has bifurcated the loan into its components using a discounted cash flow model with an estimated fair value interest rate of 20% to estimate the fair value of the liability component of $94,276. The residual amount of $5,724 was recorded to warrant reserves. Included in general and administrative expenses is accretion and interest expense of $2,048 for the period ended March 31, 2016.

9. SHARE CAPITAL

a) Authorized:

- unlimited common shares, without par value; and
- 20,000,000 preferred shares, without par value.

b) Issued and outstanding:

On December 11, 2015, the Company approved the exchange of 2,154,500 options for 767,286 common shares of the Company to certain option holders for a share subscriptions receivable of $767. The fair value of the common shares was estimated to be $565,720. The difference between the fair value and gross proceeds was recorded as share-based compensation expense of $564,953.

c) Stock options

The Company has established a stock option plan (the "Plan"), whereby the Company may grant stock options to officers, directors, employees and consultants. The exercise price of the stock options is determined by the Board of Directors (or a committee thereof) and will generally be at least equal to the fair value of the shares at the grant date. Any stock options that do not vest as the result of a grantee leaving the Company

EXPRESSED IN CANADIAN DOLLARS

9. SHARE CAPITAL (Continued)

c) Stock options (continued)

are forfeited and the common shares underlying them are returned to the reserve. Stock options granted generally have a maximum term of five years.

The maximum number of options that may be issued under the Plan is 4,660,915. As at March 31, 2016, there were 2,838,407 options available for grant.

Activity under the Plan for the period ended March 31, 2016 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2015	4,028,008	$0.42
Options cancelled	(2,154,500)	$0.24
Options expired	(51,000)	$0.25
Balance, March 31, 2016	1,822,508	$0.48

Activity under the Plan for the year ended September 30, 2015 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2014	3,760,508	$0.42
Options granted	440,000	$0.25
Options cancelled	(110,000)	($0.01)
Options expired	(62,500)	($0.15)
Balance, September 30, 2015	4,028,008	$0.35

Company stock options outstanding and exercisable at March 31, 2016 are as follows:

Expiry (Years)	Exercise Price	Outstanding	Exercisable
2015	$0.25	74,000	74,000
2014 – 2022	$0.40	189,750	189,750
2017 – 2018	$0.50	1,518,758	1,136,817
2018	$0.53	40,000	40,000
		1,822,508	1,440,567

EXPRESSED IN CANADIAN DOLLARS

9. SHARE CAPITAL (Continued)

c) Stock options (continued)

Company stock options outstanding and exercisable at September 30, 2015 are as follows:

Expiry (Years)	Exercise Price	Outstanding	Exercisable
2014 – 2022	$0.15	1,350,000	1,350,000
2015	$0.25	125,000	125,000
2014 – 2022	$0.40	994,250	994,250
2017 – 2018	$0.50	1,518,758	1,116,587
2018	$0.53	40,000	40,000
		4,028,008	3,625,837

The weighted average remaining contractual life of options outstanding at March 31, 2016 is 3.01 (September 30, 2015 - 5.06) years.

The Company applies the fair value method using the Black-Scholes option pricing model to account for options granted to employees, directors and non-employees. The Black-Scholes option pricing model requires management to make certain estimates. These estimates include volatility. The Black-Scholes option pricing model was calculated based on the following weighted average assumptions:

	Six months ended March 31, 2016	**Year ended September 30, 2015**
Expected life (years)	N/A	5.00
Interest rate	N/A	1.55%
Volatility	N/A	66%
Dividend yield	N/A	0%

During the period ended March 31, 2016, the Company recorded $25,644 (2014 - $151,309) in recognition of share-based compensation for stock options.

Due to the lack of historical pricing information for the Company, the expected volatility is based on an average of historical prices of a comparable group of companies within the same industry. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 22.40% (2014 - 22.40%) in calculating the fair value of share-based compensation.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

EXPRESSED IN CANADIAN DOLLARS

9. SHARE CAPITAL (Continued)

d) Warrants

During the year ended September 30, 2012, the Company issued 75,000 warrants with an exercise price of $0.40 expiring on March 31, 2020. On December 11, 2015, the Company amended the exercise price of these warrants to $0.1143 and the warrants were exercised for cash of $8,573.

On March 4, 2016 issued 40,816 warrants in connection with the loan from Code Consulting Limited (Note 8). The Company recorded $5,724 to warrant reserve related to the issuance of these warrants.

10. RELATED PARTY TRANSACTIONS

The compensation costs for key management personnel are as follows:

	2016	2015
Wages and benefits	$325,212	$313,860
Share-based compensation	20,617	31,414
	$345,829	$345,274

Incurred wages and benefits of $325,212 (2015 - $313,860) are included in the following:

- Sales and marketing $62,500 (2015 - $60,070);
- General and administrative $195,212 (2015 - $170,616); and
- Research and development $67,500 (2015 - $83,174)

11. RESEARCH AND DEVELOPMENT

During the six months ended March 31, 2016 and 2015, the Company incurred the following research and development expenditures net of the investment tax credits:

Six months ended March 31		2016		2015
Research and development	$	283,778	$	255,219
Investment tax credit (“ITC”)		(255,224)		(229,539)
	$	28,554	$	25,680

As of March 31, 2016, the Company has an accrued ITC receivable of $255,224 (September 30, 2015 - $403,616) (note 8).

EXPRESSED IN CANADIAN DOLLARS

12. FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, loan payable, finance lease obligations, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. The fair value of the loan payable to Code Consulting (note 8) is categorized as level 2.

Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis.

Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and consider the implications of market conditions in relation to the Company's activities.

There are no changes in the Company's objective, policies and processes for managing the risks and the methods used to measure the risks during the period ended March 31, 2016.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest-bearing accounts. The Company's amounts receivable consist of amounts from large customers. Accounts receivable from four customers comprise 93% (September 30, 2015 - 67%) of the total accounts receivable balance, and therefore the Company is subject to risk due should one of these major customers not paying their balance.

The Company does not anticipate any default as it transacts with creditworthy customers, and management does not expect any losses from non-performance by these customers. As such, a provision for doubtful accounts has not been recorded at March 31, 2016 and September 30, 2015. The following table summarizes the four largest receivable balances from the Company's customers as at March 31, 2016 and September 30, 2015:

March 31, 2016	0 to 60 days	61 to 90 days	Greater than 90 days	Total
Customer 1	$84,588	$ -	$ -	$84,588
Customer 2	20,204	-	-	20,204
Customer 3	18,375	-	-	18,375
Customer 4	9,450	-	-	9,450
	$132,617	$ -	$ -	$132,617

September 30, 2015	0 to 60 days	61 to 90 days	Greater than 90 days	Total
Customer 1	$23,100	$ -	$ -	$23,100
Customer 2	19,773	-	-	19,773
Customer 3	15,708	-	-	15,708
Customer 4	14,501	-	-	14,501
	$73,082	$ -	$ -	$73,082

12. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The accounts payable and accrued liabilities are typically due in 30 days and the loans are due in fiscal 2016. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash on hand through working capital management.

The following table summarizes information about the Company’s financial obligations as at March 31, 2016 and September 30, 2015:

		March 31, 2016		**September 30, 2015**
Accounts payable and accrued liabilities	$	348,061	$	211,704
Loan payable		618,216		526,176
	$	966,277	$	737,880

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company’s operations, income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. The Company is exposed to market risk as follows:

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk due to the short term to maturity of its financial instruments. The Company had no interest rate swap or financial contracts in place as at March 31, 2016 and September 30, 2015.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily United States dollars (“USD”)). As at March 31, 2016, the Company has monetary assets of $140,064 (September 30, 2015 - $95,839) and monetary liabilities of $15,739 (September 30, 2015 - $ 4,802) denominated in USD. For the period ended March 31, 2016, the Company’s sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 7% will increase or decrease net loss by approximately $8,600 (September 30, 2015 - $9,000). There will be no impact on other comprehensive loss. The Company has not entered into any foreign currency contracts to mitigate this risk.

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13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. As at March 31, 2016, the Company's assets were collateral for the outstanding Credit Agreement (note 8). As at September 30, 2015, the Company's assets were collateral for the outstanding SR&ED loans which have been repaid (note 8). As at March 31, 2016, the Company considers capital to consist of all components of equity and loans payable. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares, or dispose of assets or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

At this stage of the Company's development, in order to maximize ongoing operational development efforts, the Company does not pay dividends.

14. COMMITMENTS

The Company leases its premises and certain equipment under long-term leases. The leases expire between 2016 and 2017. The minimum annual lease commitments during the next three years are:

2016	$130,971
2017	26,451
2018	2,459
	$159,881

Rent expense for the current six month period amounted to $127,877 (2014 - $124,940).

15. SEGMENTED INFORMATION

The Company has three operating segments, as described below, which are the Company's strategic business units and one geographic segment. The following summary describes the operations of the Company's reportable segments:

(i) The Loyalty segment includes recurring, monthly fee-based loyalty programs and custom solutions developed for clients to manage customer loyalty through various customer engagement programs, surveys and point redemption features.

(ii) The Referrals segment is comprised of both Custom and Spark™ referrals. The Custom segment includes custom solutions developed for clients to engage their customers to generate sales leads through different program incentives. The Spark™ referral segment includes the productized and configurable solution for clients to engage their customers to generate sales leads through incentivized referrals.

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15. SEGMENTED INFORMATION (continued)

(iii) The Source Code segment includes licensing a copy of the Company's proprietary Lifecycle Marketing Platform to entities that have the technical ability to further develop the source code to meet their business needs. Source code revenue recognized during the period ended March 31, 2016 pertained to contracts entered into in fiscal 2013. The Company did not entered into any new similar contracts during the current period.

Information regarding the operations of each segment is included below. Segment income (loss) before income tax and operating expenses are used to measure performance, as management believes that such information is most relevant in managing the operations of each segment and evaluating the results of each segment relative to each other and other entities within these industries.

A breakdown of revenues and cost of sales for each reportable segment for the periods ended March 31, 2016 and 2015 is as follows:

	2016			
	Loyalty	Referral	Source Code	Total
Revenue	$24,999	$795,080	$21,890	$841,969
Cost of goods sold	18,614	324,640	19,960	363,214
	6,385	470,440	1,930	478,755
Operating expenses	45,739	1,461,414	25,701	1,532,854
Loss from operations	$(39,354)	$(990,974)	$(23,771)	$(1,054,099)

	2015			
	Loyalty	Referral	Source Code	Total
Revenue	$91,923	$603,122	$165,628	$860,673
Cost of goods sold	50,298	242,153	69,950	362,401
	41,625	360,969	95,678	498,272
Operating expenses	122,940	842,864	158,589	1,124,393
Loss from operations	$(81,315)	$(481,895)	$(62,911)	$(626,121)

16. EVENTS AFTER THE REPORTING PERIOD

On April 8, 2016, the Company received $35,000 as a promissory note payable. The note is unsecured, bears interest at 5% per annum and is payable on demand.

On April 15, 2016, the Amalgamation was not completed resulting in the Credit Agreement (note 8) being in default. The Company repaid the outstanding balance and accrued interest from the funds received in the May 2016 loan with a related party (see below).

On April 18, 2016, the Company issued 1,085,123 warrants exercisable for common shares of the Company at $0.01 per common share and expire on May 13, 2016. On May 18, 2016, RewardStream issued 1,076,962 common shares related to the exercise of these warrants for gross proceeds of $10,770.

On April 18, 2016, Manado, the Company, and a third party entered into a Loan Debt Assignment and Extension Agreement for the loans that Manado made to the Company as described in Note 8. Under the terms of this agreement the third party purchased the $300,000 loan for $150,000 cash paid to Manado and also received an option to purchase the $200,000 loan for 400,000 shares of the Resulting Issuer (see below). This option is exercisable until the earlier of seven business days following the amalgamation of the Company and Musgrove and October 31, 2016. The term of the loans were extended until October 31, 2016.

On April 20, 2016, the Company entered into a letter of intent with Musgrove. The terms of the letter of intent are as follows:

- Musgrove will acquire all of the outstanding shares of the Company (the “Transaction”). The Company and Musgrove will amalgamate into one company (the “Resulting Issuer”). The current shareholders of the Company will receive an aggregate of 20,000,000 shares of the Resulting Issuer.

- Musgrove will consolidate its common shares on a 2:1 basis (the “Consolidation”). There are currently 14,075,366 Musgrove common shares and 740,740 Musgrove share purchase warrants outstanding which will result in approximately 7,037,683 post-Consolidation Musgrove shares and 370,370 post-Consolidation Musgrove share purchase warrants.

- The parties successfully negotiating and entering into a definitive agreement in respect of the Transaction on or before May 15, 2016.

- Sale or other disposition by Musgrove of its mineral properties.

16. EVENTS AFTER THE REPORTING PERIOD (continued)

- Completion of a part and parcel private placement (the "Private Placement") consisting of between 12,000,000 and 16,000,000 units of Musgrove at a price of $0.125 per unit (on a pre-Consolidation basis) for gross proceeds of between $1,500,000 and $2,000,000. Each unit will consist of one common share and one-half of one common share purchase warrant of Musgrove. Each full warrant will be exercisable to purchase an additional common share at a price of $0.25 per share (on a pre-Consolidation basis) for a period of two years from the date of issuance. All securities issuable pursuant to the Private Placement will be subject to a four-month hold period from the date of issuance. The warrants will be subject to an accelerated expiry if the 10 trailing-day volume weighted average price of the Musgrove shares on the TSX-Venture Exchange (the "TSX-V") exceeds $0.375 (on a pre-Consolidation basis). Musgrove will pay commissions or finders' fees of up to 10% of the gross proceeds.

- Termination of all the Company option agreements.

- The entry by the Company shareholders into such escrow agreements as may be required by the TSX-V and the entry of the Company shareholders who are not required to be escrowed into pooling agreements providing for releases of shares over a one-year period.

- Subject to TSX-V approval, the advance of at least $100,000 by way of secured loans to the Company from Musgrove.

- Regulatory approvals, including the TSX-V, and approval by the shareholders of Musgrove and the Company.

- The payment by Musgrove of all amounts owed to Musgrove directors and officers.

- Musgrove will pay a finder's fee consisting of $35,000 cash and 950,000 common shares of the Resulting Issuer.

On April 26, 2016, the Company entered into a loan agreement with Musgrove. Under the terms of the agreement, Musgrove loaned $100,000 to the Company. The loan has an annual interest rate of 10%, compounded monthly, and is payable on November 30, 2016. The loan is secured by the assets of the Company.

On May 2, 2016, the Company entered into a loan agreement with a related party. Under the terms of the agreement, the related party loaned $102,093 to the Company so that it could repay the defaulted Credit Agreement (note 8). The loan has an annual interest rate of 15%, compounded monthly, and is payable on October 31, 2016. The loan is secured by the assets of the Company. The related party also received 108,899 warrants with an exercise price of $0.2625, exercisable until May 2, 2018.

On May 19, 2016, a related party purchased 256,410 common shares of RewardStream at a price of $0.39 per common share.