REWARDSTREAM SOLUTIONS INC.

(FORMERLY REWARDSTREAM INC.)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2016 WITH 2015 COMPARATIVES

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

As at	June 30, 2016 (unaudited)	September 30, 2015 (audited)
ASSETS (note 8 and 16)		
CURRENT ASSETS		
Cash	$126,267	$273,472
Accounts receivable (note 12)	105,764	115,145
Investment tax credits receivable (notes 8 and 11)	302,711	403,616
Work in progress	1,526	-
Prepaid expenses and deposits	67,653	14,978
	603,921	807,211
DEPOSITS	18,720	18,665
EQUIPMENT (note 6)	27,132	34,101
	$649,773	$859,977
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 12)	$398,641	$211,704
Deferred revenue	9,365	85,784
Current portion of finance lease obligations (note 7)	3,909	4,666
Loans payable (notes 8 and 12)	884,910	526,176
	1,296,825	828,330
FINANCE LEASE OBLIGATIONS (note 7)	3,516	5,651
	1,300,341	833,981
EQUITY (DEFICIENCY)		
SHARE CAPITAL (note 9)	7,766,370	6,618,213
SHARE-BASED COMPENSATION RESERVE (note 9)	1,453,377	1,411,472
WARRANT RESERVE (note 9)	14,643	-
DEFICIT	(9,884,958)	(8,003,689)
	(650,568)	25,996
	$649,773	$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 NINE MONTHS ENDED JUNE 30
(UNAUDITED)

	Three months ended June 30,		**Nine months ended June 30,**	
	2016	**2015**	**2016**	**2015**
REVENUE (note 15)	$424,498	$427,542	$1,266,467	$1,288,215
COST OF SALES (note 15)	164,089	188,497	527,303	550,898
	260,409	239,045	739,164	737,317
EXPENSES				
Sales and marketing (note 10)	108,864	145,164	368,429	412,046
General and administrative (notes 8, 10, and 14)	396,411	297,412	1,045,903	972,101
Research and development, net of investment tax credits (notes 10 and 11)	104,050	6,286	132,604	31,966
Share-based compensation (notes 9 and 10)	479,355	14,069	1,069,952	165,378
Depreciation (note 6)	2,323	2,915	6,969	8,748
	1,091,003	465,846	2,623,857	1,590,239
LOSS FROM OPERATIONS	(830,594)	(226,801)	(1,884,693)	(852,922)
OTHER INCOME				
Foreign exchange gain	(4)	(2,074)	3,424	112,678
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**$ (830,598)**	**$ (228,875)**	**$ (1,881,269)**	**$ (740,244)**
LOSS PER SHARE, BASIC AND DILUTED	**$ (0.07)**	**$ (0.03)**	**$ (0.15)**	**$ (0.09)**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**12,107,100**	**8,137,577**	**12,260,813**	**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	-	-	165,378	-	-	165,378
Net loss for the period	-	-	-	-	(740,244)	(740,244)
Balance at June 30, 2015	8,137,577	$ 4,774,912	$ 1,398,356	$ -	$ (5,900,204)	$ 273,064
Balance at September 30, 2015	**10,637,577**	**$ 6,618,213**	**$ 1,411,472**	**$ -**	**$ (8,003,689)**	**$ 25,996**
Issuance of common shares	256,410	100,000	-	-	-	100,000
Exchange of options for common shares	767,286	565,720	-	-	-	565,720
Issuance of warrants with loans	-	-	-	14,643	-	14,643
Issuance of warrants	-	-	466,603	-	-	466,603
Exercise of warrants	1,151,962	482,437	(463,094)	-	-	19,343
Share-based compensation	-	-	38,396	-	-	38,396
Net loss for the period	-	-	-	-	(1,881,269)	(1,881,269)
Balance at June 30, 2016	12,813,235	$ 7,766,370	$ 1,453,377	$ 14,643	$ (9,884,958)	$ (650,568)

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

REWARDSTREAM SOLUTIONS INC.
(FORMERLY REWARDSTREAM INC.)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS
FOR THE NINE MONTHS ENDED JUNE 30
(UNAUDITED)

	2016	2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	$ (1,881,269)	$ (740,244)
Items not involving cash:		
Depreciation	6,969	8,748
Interest expense	47,131	10,083
Share-based compensation	1,069,952	165,378
	(757,217)	(556,035)
Changes in non-cash working capital items:		
Accounts receivable	9,381	278,020
Investment tax credits receivable	100,905	159,942
Prepaid expenses and deposits	(52,730)	7,753
Work in progress	(1,526)	-
Accounts payable and accrued liabilities	186,937	(31,458)
Deferred revenue	(76,419)	(55,158)
	(590,669)	(196,936)
FINANCING ACTIVITIES		
Receipt of cash from exercise of warrants and option exchange	20,109	-
Repayment of finance lease obligations	(2,891)	(1,327)
Issuance of common shares	100,000	-
Loans received	787,093	300,000
Repayment of loans payable	(460,847)	(254,167)
	443,464	44,506
INVESTING ACTIVITY		
Acquisition of equipment	-	(4,623)
DECREASE IN CASH DURING THE PERIOD	(147,205)	(157,053)
CASH, BEGINNING OF PERIOD	273,472	446,397
CASH, END OF PERIOD	$ 126,267	$ 289,344
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid – finance lease obligations	$ 690	$ 173
Interest paid – loans payable	$ 14,644	$ 4,167

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 $1,881,269 for the nine month period ended June 30, 2016 (June 30, 2015 - $740,244). As at June 30, 2016, the Company had an accumulated deficit of $9,884,958 (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 with Musgrove Minerals Ltd. and the associated financing (note 2), 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 AGREEMENTS

On November 10, 2015, the shareholders of the Company approved an amalgamation with Manado Gold Corp. ("Manado"), a publicly traded company on the TSX Venture Exchange (the "Exchange"), to form a single amalgamated company (the "Manado Amalgamation"). The Manado Amalgamation was subject to a number of terms including Manado to completing a $600,000 private placement (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 common share purchase warrant of Manado exercisable at $0.075 per share for a period of two years from the date of issuance. Manado completed the Initial Private Placement on November 9, 2015.

In addition, Manado was to raise a minimum of $1,500,000 by issuing 21,428,572 units of Manado at $0.07 per unit concurrent with the Manado Amalgamation (the "Concurrent Private Placement"). Each unit consisted of one common share and one-half common share purchase warrant of Manado exercisable at $0.10 per warrant for a period of two years from the date of issuance.

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

2. AMALGAMATION AGREEMENTS (Continued)

On May 30, 2016, the Company signed an Amalgamation Agreement (the "Agreement") with Musgrove Minerals Corp. ("Musgrove") a publicly traded company on the Exchange, to form a single amalgamated company (the "Amalgamation"), RewardStream Solutions Inc. ("Solutions"). Musgrove was incorporated under the laws of British Columbia and its principal activity is the acquisition and exploration of mineral properties in the USA and Mexico. Under the terms of the Agreement, the Company's shareholders will receive 20,000,000 common shares of Solutions for the outstanding common shares of the Company, and Musgrove's shareholders will receive one common share of Solutions for every two common shares of Musgrove (the "Consolidation"). The Company's warrant holders will receive 1.56 share purchase warrant of Solutions for each share purchase warrant of the Company. The warrant holders of Musgrove will receive 1 share purchase warrant of Solutions for every two warrants of Musgrove. Upon completion of the Amalgamation, the Company will be the continuing entity and the shareholders of the Company will control approximately 59% of Solutions.

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

a) Sale or other disposition by Musgrove of its mineral properties.

b) 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) (the "Units") 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 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 Exchange exceeds $0.375 (on a pre-Consolidation basis). Musgrove will pay commissions or finders' fees of up to 10% of the gross proceeds.

c) Termination of all the Company and Musgrove outstanding stock options.

d) The entry by the Company shareholders into such escrow agreements as may be required by the Exchange 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.

e) Subject to Exchange approval, the advance of at least $100,000 by way of secured loans to the Company from Musgrove.

f) Regulatory approvals, including the Exchange, and approval by the shareholders of Musgrove and the Company.

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

h) Musgrove will pay a finder's fee consisting of $35,000 cash and 950,000 common shares of Solutions.

On April 26, 2016, the Company entered into a loan agreement with Musgrove (see note 8).

On June 13, 2016, the shareholders of the Company approved the Amalgamation.

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 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 August 26, 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 condensed interim 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

- The assumptions used in calculating share-based compensation expense

  The fair value of share options and warrants granted are measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option or warrant, expected volatility, expected life of the options or warrants, 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 or warrants are based on historical experience and general option or warrant 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 or warrants 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

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 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.

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

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 June 30, 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	5,561	1,408	6,969
Balance, June 30, 2016	**$181,807**	**$98,846**	**$280,653**
Carrying Value			
September 30, 2015	$24,714	$9,387	$34,101
June 30, 2016	**$19,153**	**$7,979**	**$27,132**

Included in computer equipment is leased computer equipment with a net carrying value of $19,153 (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 June 30, 2016 and September 30, 2015 consist of:

	June 30, 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	\$ 8,115	\$ 10,894
Less: Interest	690	577
	7,425	10,317
Less: Current portion	3,909	4,666
	\$ 3,516	\$ 5,651

Minimum repayments are as follows:

2016	\$1,014
2017	4,316
2018	2,095
	\$7,425

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 June 30, 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 June 30, 2016 (June 30, 2015 - \$10,083). Loan #2 was secured by a general security agreement on the assets of the Company. On December 9, 2015, the Company received its 2015 SR&ED payment of \$403,616 and repaid the Loan #2 and accrued interest.

8. LOANS PAYABLE (Continued)

On September 25, and November 13, 2015, pursuant to the Manado Amalgamation (note 2), the Company received $200,000 and $300,000 loans, respectively, from Manado. The loans are unsecured, have an 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 $34,064 for the period ended June 30, 2016. On April 18, 2016, Manado, the Company, and a third party (the "Third Party") entered into a Loan Debt Assignment and Extension Agreement for the loans that Manado made to the Company. 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 Solutions. This option is exercisable until the earlier of seven business days following the Amalgamation and October 31, 2016. The terms of the loans were extended until October 31, 2016. Subsequent to June 30, 2016, the Company and the Third Party agreed to amend the terms of the above loans (see 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 had an interest of 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 was payable in full on June 12, 2016 and was secured by a general security agreement on the assets of the Company (the "Security"). Interest on the outstanding balance accrued at 20% per annum upon the occurrence of an event of default. The loan is in default if the Company failed to make any payment of principal or interest when due or if the Company failed to complete the Manado 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. On March 4, 2016, the Company received an advance of $100,000 and issued 40,816 warrants. The Company 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 $7,817 for the period ended June 30, 2016. On April 15, 2016, the Manado Amalgamation was not completed resulting in the Credit Agreement being in default. The Company repaid the outstanding balance and accrued interest from the funds received from the loan with a related party (see below).

On April 8, 2016, the Company received $35,000 as a promissory note payable from an unrelated party. The note is unsecured, has an interest of 5% per annum and is payable on demand. On June 28, 2016, the Company repaid this loan along with $371 of interest.

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 June 20, 2016, Musgrove advanced an additional $150,000 under the same terms. $2,050 in interest expense is included in general and administrative expenses for the period ended June 30, 2016.

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. 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 $0.39, exercisable until May

EXPRESSED IN CANADIAN DOLLARS

8. LOANS PAYABLE (Continued)

2, 2018. 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 $93,174. The residual amount of $8,919 was recorded to warrant reserves. Included in general and administrative expenses is accretion and interest expense of $5,293 for the period ended June 30, 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 $767 in cash. 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.

On May 19, 2016, the Company issued 256,410 common shares of RewardStream at a price of $0.39 per common share to a related party for gross proceeds of $100,000.

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 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 June 30, 2016, there were 2,838,407 options available for grant.

Activity under the Plan for the period ended June 30, 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, June 30, 2016	1,822,508	$0.48

EXPRESSED IN CANADIAN DOLLARS

9. SHARE CAPITAL (Continued)

c) Stock options (continued)

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	$0.42

Company stock options outstanding and exercisable at June 30, 2016 are as follows:

Expiry (Years)	Exercise Price	Outstanding	Exercisable
2016	$0.25	74,000	74,000
2015 – 2022	$0.40	189,750	189,750
2017 – 2018	$0.50	1,518,758	1,260,710
2018	$0.53	40,000	40,000
		1,822,508	1,564,460

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 June 30, 2016 is 2.76 (September 30, 2015 - 5.06) years.

EXPRESSED IN CANADIAN DOLLARS

9. SHARE CAPITAL (Continued)

c) Stock options (continued)

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:

	Nine months ended June 30, 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 June 30, 2016, the Company recorded $38,396 (2015 - $165,378) 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% (2015 - 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.

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, with an exercise price of $0.98 and expiring on March 4, 2018, 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.

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. The Company applied the fair value method using the Black-Scholes option pricing model to these warrants based on the following weighted average assumptions:

EXPRESSED IN CANADIAN DOLLARS

9. SHARE CAPITAL (Continued)

d) Warrants (continued)

Expected life (years)	0.07
Interest rate	0.5%
Volatility	4.8%
Dividend yield	0%

The Company recorded $466,603 (2015 - $nil) in recognition of share-based compensation for these warrants.

On May 13, 2016, RewardStream issued 1,076,962 common shares related to the exercise of these warrants for gross proceeds of $10,770.

On May 2, 2016 issued 108,899, with an exercise price of $0.39 expiring on May 2, 2018 warrants in connection with the loan from a related party (Note 8). The Company recorded $8,919 to warrant reserve related to the issuance of these warrants.

The table below summarizes the information on the outstanding warrants of the Company as at June 30, 2016:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
		$	
Balance, September 30, 2015	75,000	0.40	3.75
Warrants granted	1,234,838	0.08	1.79
Warrants exercised	(1,151,962)	0.02	-
Warrants expired	(8,161)	0.01	-
Balance, June 30, 2016	149,715	0.55	1.79

10. RELATED PARTY TRANSACTIONS

Related party transactions during the nine months ended June 30, 2016 and 2015 not discussed elsewhere in these condensed interim financial statements are discussed below.

The compensation costs for key management personnel for the nine months ended June 30, 2016 are as follows:

	2016	**2015**
Wages and benefits	$492,344	$487,489
Share-based compensation	30,857	52,658
	$523,201	$540,147

EXPRESSED IN CANADIAN DOLLARS

10. RELATED PARTY TRANSACTIONS (Continued)

Incurred wages and benefits of $492,344 (2015 - $487,489) are included in the following:

- Sales and marketing $93,750 (2015 - $96,996);
- General and administrative $297,344 (2015 - $290,012); and
- Research and development $101,250 (2015 - $100,481)

11. RESEARCH AND DEVELOPMENT

During the nine months ended June 30, 2016 and 2015, the Company incurred the following research and development expenditures net of the investment tax credits:

Nine months ended June 30		2016		2015
Research and development	$	435,315	$	317,688
Investment tax credit ("ITC")		(302,711)		(285,722)
	$	132,604	$	31,966

As of June 30, 2016, the Company has an accrued ITC receivable of $302,711 (September 30, 2015 - $403,616) (note 8).

12. FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, loans 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 and the related party (note 8) are 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 June 30, 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 accounts 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 should one of these major customers not pay their balance.

EXPRESSED IN CANADIAN DOLLARS

12. FINANCIAL INSTRUMENTS (Continued)

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 June 30, 2016 and September 30, 2015. The following table summarizes the four largest receivable balances from the Company's customers as at June 30, 2016 and September 30, 2015:

June 30, 2016	0 to 60 days	61 to 90 days	Greater than 90 days	Total
Customer 1	$41,106	$ -	$ -	$41,106
Customer 2	19,230	-	-	19,230
Customer 3	13,650	-	-	13,650
Customer 4	8,974	-	-	8,974
	$82,960	$ -	$ -	$82,960

a) Credit risk (continued)

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

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 in 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, raising funds by issuing debt or equity and by maintaining sufficient cash on hand through working capital management.

12. FINANCIAL INSTRUMENTS (Continued)

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

		June 30, 2016		**September 30, 2015**
Accounts payable and accrued liabilities	$	398,641	$	211,704
Loan payable		884,910		526,176
	$	1,283,551	$	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 June 30, 2016 and September 30, 2015.

c) Market risk (continued)

(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 June 30, 2016, the Company had monetary assets of $147,267 (September 30, 2015 - $95,839) and monetary liabilities of $25,955 (September 30, 2015 - $4,802) denominated in USD. For the period ended June 30, 2016, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 8% will increase or decrease net loss by approximately $10,000 (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.

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 June 30, 2016, the Company's assets were collateral for the outstanding loan with Musgrove (note 2) and with the related party (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 June 30, 2016, the Company considers capital to consist of all components of equity (deficiency) and loans payable. The Company manages the capital structure and makes

EXPRESSED IN CANADIAN DOLLARS

13. CAPITAL MANAGEMENT (Continued)

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. During the period, the Company entered into a lease for premises starting November 1, 2016 and ending October 31, 2021. Leases for the Company expire between 2016 and 2021. The minimum annual lease commitments during the next three years are:

2016	$ 65,448
2017	224,781
2018	218,819
	$509,048

Rent expense for the current nine month period amounted to $182,571 (2015 - $183,819).

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.

(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 June 30, 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

EXPRESSED IN CANADIAN DOLLARS

15. SEGMENTED INFORMATION (Continued)

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, cost of sales and operating expenses for each reportable segment for the periods ended June 30, 2016 and 2015 is as follows:

	2016			
	Loyalty	Referral	Source Code	Total
Revenue	$ 24,999	$1,219,578	$ 21,890	$1,266,467
Cost of goods sold	18,614	488,729	19,960	527,303
	6,385	730,849	1,930	739,164
Operating expenses	45,739	2,552,417	25,701	2,623,857
Loss from operations	$(39,354)	$(1,821,568)	$(23,771)	$(1,884,693)

	2015			
	Loyalty	Referral	Source Code	Total
Revenue	$137,393	$934,895	$215,927	$1,288,215
Cost of goods sold	77,481	357,810	115,607	550,898
	59,912	577,085	100,320	737,317
Operating expenses	175,480	1,138,348	276,411	1,590,239
Loss from operations	$(115,568)	$(561,263)	$(176,091)	$(852,922)

16. EVENTS AFTER THE REPORTING PERIOD

On July 14, 2016, the Company executed an agreement with the Third Party to convert the $200,000 and $300,000 loans from note 8 to common shares of Solutions (“Note Conversions”). Under the terms of the Note Conversions, the $300,000 loan principal and interest owing will be converted to common shares of Solutions at a conversion price of $0.25 upon completion of the Amalgamation. The Note Conversions also specify that should the Third Party acquire the $200,000 loan, the $200,000 loan principal and interest owing may be converted to common shares of Solutions at a conversion price of $0.25 at the option of the Third Party between the date the $200,000 loan was acquired and its maturity date.

On July 26, 2016, Musgrove advanced an additional $150,000 loan to the Company per the same terms as note 8.

On July 27, 2016, Musgrove completed the Private Placement of $2,028,500 in two tranches by issuing a total 16,228,000 Units. Finder’s fees of $130,250 were paid and 950,000 common shares of Solutions were issued in connection with the completion of the Private Placement.

16. EVENTS AFTER THE REPORTING PERIOD (Continued)

On July 28, 2016, the Company and Musgrove completed the Amalgamation. Pursuant to the terms of the Amalgamation, the shareholders of the Company received 20,000,004 shares of Solutions and the shareholders of Musgrove received 15,151,659 shares of Solutions. The warrant holders of the Company received 233,555 warrants of Solutions and the warrant holders of Musgrove received 4,427,370 warrants of Solutions. The Company cancelled all outstanding stock options. Musgrove had no options outstanding on Amalgamation. On August 4, 2016, Solutions commenced trading on the Exchange under the symbol REW.

On July 28, 2016, the $300,000 loan and accrued interest of $21,363 was converted to 1,285,452 common shares of Solutions. On July 28, 2016, Solutions issued 400,000 shares to Manado to allow the Third Party to exercise the option on the $200,000 loan. The 400,000 shares were considered offering costs related to the Third Party agreeing to assume both loans and extend the maturity dates.

On August 9, 2016, the $200,000 loan and accrued interest of $17,489 was converted to 869,954 common shares of Solutions.