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**REWARDSTREAM SOLUTIONS INC.  
CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED MARCH 31, 2017  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

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## **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 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.  
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION  
EXPRESSED IN CANADIAN DOLLARS**

	March 31, 2017 (unaudited)	September 30, 2016 (audited)
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 448,382	\$ 645,058
Accounts receivable (note 9)	94,055	245,804
Investment tax credits receivable (notes 5 and 8)	-	298,305
Prepaid expenses and deposits	416,481	126,448
	958,918	1,315,615
DEPOSITS	18,720	18,720
EQUIPMENT AND LEASEHOLD IMPROVEMENTS (note 3)	121,524	131,416
	\$ 1,099,162	\$ 1,465,751
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 9)	\$ 171,447	\$ 322,958
Deferred revenue	52,774	61,201
Current portion of finance lease obligations (note 4)	6,032	4,206
Loans payable (notes 5 and 9)	64,991	108,215
	295,244	496,580
FINANCE LEASE OBLIGATIONS (note 4)	2,202	2,205
LEASE IMPROVEMENT ALLOWANCE (note 11)	75,803	84,225
	373,249	583,010
<b>EQUITY (DEFICIENCY)</b>		
SHARE CAPITAL (note 6)	12,461,954	11,682,848
SHARE-BASED COMPENSATION RESERVE (note 6)	1,767,118	1,715,223
WARRANT RESERVE (note 6)	208,525	207,042
DEFICIT	(13,711,684)	(12,722,372)
	725,913	882,741
	\$ 1,099,162	\$ 1,465,751

Subsequent event (note 13)

On behalf of the Board:

*" Ralph Turfus "*

Ralph Turfus, Director

*" Martin Bernholtz "*

Martin Bernholtz, Director

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

**REWARDSTREAM SOLUTIONS 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,	
	2017	2016	2017	2016
<b>REVENUE</b> (note 12)	\$ 349,177	\$ 405,660	\$ 709,097	\$ 841,969
<b>COST OF SALES</b> (note 12)	114,913	189,847	262,056	363,214
	234,264	215,813	447,041	478,755
<b>EXPENSES</b>				
Sales and marketing (note 7)	206,703	141,809	499,004	259,565
General and administrative (note 7)	299,088	318,577	631,814	611,850
Research and development, net of investment tax credits (notes 7 and 8)	116,269	15,119	230,625	28,554
Share-based compensation (notes 6 and 7)	29,452	12,752	53,378	590,597
Depreciation (note 3)	7,366	2,377	14,733	4,646
	658,878	490,634	1,429,554	1,495,212
<b>LOSS FROM OPERATIONS</b>	(424,614)	(274,821)	(982,513)	(1,016,457)
<b>OTHER INCOME (EXPENSES)</b>				
Foreign exchange gain (loss)	(6,292)	1,534	605	3,428
Finance expense (note 5)	(2,616)	(15,061)	(7,404)	(37,642)
	(8,908)	(13,527)	(6,799)	(34,214)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (433,522)</b>	<b>\$ (288,348)</b>	<b>\$ (989,312)</b>	<b>\$ (1,050,671)</b>
<b>LOSS PER SHARE, BASIC AND DILUTED</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>	<b>\$ (0.09)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>39,133,833</b>	<b>11,479,863</b>	<b>38,890,212</b>	<b>11,148,472</b>

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

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

	SHARE CAPITAL		RESERVES			Total Equity
	Number of Shares	Amount	Share-Based Compensation Reserve	Warrant Reserve	Deficit	
<b>Balance at September 30, 2015</b>	<b>10,637,577</b>	<b>\$ 6,618,213</b>	<b>\$ 1,411,472</b>	<b>\$ -</b>	<b>\$ (8,003,689)</b>	<b>\$ 25,996</b>
Exchange of options for common shares (note 6)	767,286	565,720	-	-	-	565,720
Exercise of warrants (note 6)	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)
<b>Balance at March 31, 2016</b>	<b>11,479,863</b>	<b>\$ 7,192,506</b>	<b>\$ 1,437,116</b>	<b>\$ 5,724</b>	<b>\$ (9,054,360)</b>	<b>\$ (419,014)</b>
<b>Balance at September 30, 2016</b>	<b>38,657,069</b>	<b>\$ 11,682,848</b>	<b>\$ 1,715,223</b>	<b>\$ 207,042</b>	<b>\$ (12,722,372)</b>	<b>\$ 882,741</b>
Issuance of shares for cash (note 6)	5,304,001	795,600	-	-	-	795,600
Share issuance cost (note 6)	-	(16,494)	-	-	-	(16,494)
Share-based compensation (note 6)	-	-	51,895	1,483	-	53,378
Net loss for the period	-	-	-	-	(989,312)	(989,312)
<b>Balance at March 31, 2017</b>	<b>43,961,070</b>	<b>\$ 12,461,954</b>	<b>\$ 1,767,118</b>	<b>\$ 208,525</b>	<b>\$ (13,711,684)</b>	<b>\$ 725,913</b>

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

	2017	2016
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (989,312)	\$ (1,050,671)
Items not involving cash:		
Depreciation	14,733	4,646
Leasehold improvement	(8,422)	-
Interest expense	6,776	23,610
Share-based compensation	53,378	590,597
Changes in non-cash working capital items:		
Accounts receivable	151,749	(32,919)
Investment tax credits receivable	298,305	148,392
Prepaid expenses and deposits	(290,033)	(4,996)
Accounts payable and accrued liabilities	(151,511)	136,357
Deferred revenue	(8,427)	(54,645)
	(922,764)	(239,629)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares, net of offering costs	779,106	-
Proceeds from exercise of warrants and option exchange	-	9,340
Repayment of finance lease obligations	1,823	(1,904)
Loans received	-	400,000
Repayment of loans payable	(50,000)	(325,846)
	730,929	81,590
<b>INVESTING ACTIVITY</b>		
Acquisition of equipment	(4,841)	-
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	(196,676)	(158,039)
<b>CASH, BEGINNING OF YEAR</b>	645,058	273,472
<b>CASH, END OF PERIOD</b>	\$ 448,382	\$ 115,433
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid – finance lease obligations	\$ 539	\$ 484
Interest paid – loans payable	\$ -	\$ 12,982

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

**REWARDSTREAM SOLUTIONS INC.  
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS  
EXPRESSED IN CANADIAN DOLLARS  
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2017 WITH 2016  
COMPARATIVES (UNAUDITED)**

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**1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS**

RewardStream Solutions Inc. (formerly RewardStream Inc.) (the “Company” or “Solutions”) 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 to the Company’s proprietary Spark™ product to operate marketing programs that acquire, engage, optimize and retain customers and sales channels.

On July 28, 2016, an amalgamation was completed with Musgrove Minerals Corp. (“Musgrove”), a publicly traded company on the TSX *Venture* Exchange (the “Exchange”), and the private company RewardStream Solutions Inc. (“RewardStream”), to form a single amalgamated company (the “Amalgamation”). Prior to the completion of the Amalgamation and in connection with this transaction, Musgrove completed a private placement totaling \$2,028,500 in two tranches on May 27, 2016 for \$1,000,000 and on July 27, 2016 for \$1,028,500 by issuing a total 16,228,000 Units (the “Private Placement”). Of the 16,228,000 Units issued, 784,000 were issued to related parties of the Company. Each Unit consisted of one common share of Musgrove and one-half of one common share purchase warrant of Musgrove. Each full warrant is exercisable at a post-Amalgamation price of \$0.50 per share for a period of two years from the date of issuance.

These unaudited condensed interim financial statements have been prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future.

**2. SIGNIFICANT ACCOUNTING POLICIES**

Statement of compliance

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

The policies applied in these unaudited interim financial statements are based on IFRS issued and outstanding as of May 29, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended September 30, 2016. Any subsequent changes to IFRS that give effect to the Company’s annual financial statements for the year ending September 30, 2017 could result in restatement of these unaudited interim consolidated financial statements.

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**3. EQUIPMENT**

	<b>Computer Equipment</b>	<b>Furniture and Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>Cost</b>				
Balance, September 30, 2015	\$200,960	\$106,825	-	\$307,785
Additions	-	-	106,606	106,606
Balance, September 30, 2016	\$200,960	\$106,825	\$106,606	\$414,391
Additions	4,840			4,840
<b>Balance, March 31, 2017</b>	<b>\$205,800</b>	<b>\$106,825</b>	<b>\$106,606</b>	<b>\$419,231</b>
<b>Accumulated Depreciation</b>				
Balance, September 30, 2015	\$176,246	\$97,438	-	\$273,684
Charge for the period	7,414	1,877	-	9,292
Balance, September 30, 2016	\$183,660	\$99,315	-	\$282,976
Charge for the period	3,321	751	10,661	14,733
<b>Balance, March 31, 2017</b>	<b>\$186,981</b>	<b>\$100,066</b>	<b>\$10,661</b>	<b>\$297,709</b>
<b>Carrying Value</b>				
September 30, 2016	\$17,300	\$7,510	\$106,606	\$131,416
<b>March 31, 2017</b>	<b>\$18,819</b>	<b>\$6,759</b>	<b>\$95,945</b>	<b>\$121,524</b>

Included in Computer Equipment is leased computer equipment with a net carrying value of \$18,819 (September 30, 2016 - \$17,300).

**4. 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, 2017 and September 30, 2016 consist of:

	<b>March 31, 2017</b>	<b>September 30, 2016</b>
Lease payable in monthly instalments ranging from \$36 to \$220, including interest, ranging from 9.99% to 10.1% per annum	\$8,773	\$6,872
Less: Interest	539	461
	8,234	6,411
Less: Current portion	6,032	4,206
	\$2,202	\$2,205

Minimum repayments are as follows:

2017	\$3,365
2018	4,686
2019	183
	<b>\$8,234</b>



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**5. LOAN PAYABLE**

On May 1, 2015, the Company received a Scientific Research and Experimental Development ("SR&ED") loan from three unrelated individuals 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 December 31, 2015. This loan 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 this loan and accrued interest.

On September 25, and November 13, 2015, pursuant to a proposed amalgamation with Manado Gold Corp. ("Manado"), the Company received \$200,000 ("Note #1") and \$300,000 ("Note #2") loans from Manado. The loans were unsecured, had an interest at a rate of 10% per annum, and were due six months from issuance. On April 8, 2016, the Company terminated the proposed amalgamation with Manado. On April 18, 2016, Manado, the Company, and a third party (the "Third Party") entered into a Loan Debt Assignment and Extension Agreement for Note #1 and Note #2. Under the terms of this agreement, the Third Party purchased Note #2 for \$150,000 cash paid to Manado and also received an option to purchase Note #1 for 400,000 shares of the Company following the Amalgamation. The option to purchase Note #1 was exercisable until the earlier of seven business days following the Amalgamation and October 31, 2016. The terms of Note #1 and Note #2 were extended until October 31, 2016. On July 14, 2016, the Company executed an agreement with the Third Party to convert Note #1 and Note #2 to common shares of Solutions ("Note Conversions"). Under the terms of the Note Conversions, principal and interest owing for Note #1 and Note #2 loans were convertible into common shares of Solutions at a conversion price of \$0.25 per share upon completion of the Amalgamation. The Company recorded a finance expense of \$23,943 being the fair value of the conversion right granted to the Third Party. On July 28, 2016, Solutions issued 400,000 common shares to Manado to allow the Third Party to complete its acquisition of the notes and then convert the notes into common shares of Solutions. The fair value of the 400,000 common shares issued to Solutions was estimated to be \$100,000 and recorded as a finance expense in connection with the settlement of the Note #1 and Note #2. 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 August 9, 2016, the \$200,000 loan and accrued interest of \$17,489 was converted to 869,954 common shares of Solutions. As these loans were converted and retired prior to the 6 months ended March 31, 2017, interest in the period was nil (2016 - \$21,563).

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 rate of 10% per annum compounded monthly. Code was also entitled to receive 40,816 warrants of the Company for each \$100,000 advanced. The warrants were 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, had the right to 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 \$5,723 was recorded to warrant reserves. On April 15, 2016, the Manado Amalgamation was not completed resulting in the Credit Agreement being in default. The Company

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**5. LOAN PAYABLE (Continued)**

repaid the outstanding balance and accrued interest from the funds received from the loan with a related party (see below).

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 had 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, and July 26, 2016, Musgrove advanced an additional \$150,000 on each date under the same terms. On July 28, 2016, due to completion of the Amalgamation, this loan and accrued interest was cancelled and the security over the assets of the company was discharged. \$3,928 in interest expense is included in finance expense for the period ended September 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 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. During the period \$50,000 of this loan was repaid and the remaining balance remains outstanding and past due. Included in finance expense is accretion and interest expense of \$6,776 for the six months ended March 31, 2017 (2016 – nil).

**6. SHARE CAPITAL**

a) Authorized:

- unlimited common shares, without par value

b) Issued and outstanding:

At March 31, 2017, the issued and outstanding shares of the Company consisted of 43,961,070 common shares.

On December 11, 2015, the Company issued 75,000 common shares on the exercise of warrants for proceeds of \$8,573.

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 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.

On May 13, 2016, the Company issued 1,076,962 common shares on the exercise of warrants for proceeds of \$10,770. On exercise, the Company transferred \$392,449 previously recorded in the stock-based compensation reserve to share capital.

On May 19, 2016, the Company issued 256,410 common shares at a price of \$0.39 per share to a trust controlled by a director of the Company for gross proceeds of \$100,000.

On July 28, 2016, the Company completed the Amalgamation resulting in the issuance of 15,151,659 common shares of Solutions with a fair value of \$3,636,401 to the shareholders of Musgrove (note 2).

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**6. SHARE CAPITAL (Continued)**

On July 28, 2016, in connection with private placements completed by Musgrove prior to completing the Amalgamation, Solutions issued a finder's fee of 950,000 common shares with a fair value of \$237,500. The common shares were accounted for as a share issue cost.

On July 28, 2016 and August 9, 2016, Solutions issued 1,685,452 and 869,954 common shares, respectively, at \$0.25 per share on the conversion of Note #1 and Note #2 (note 5). On conversion, the Company recorded an additional \$23,943 to share capital being the value of the conversion right that had been granted to the third party note holders.

On March 23, 2017, the Company completed a private placement totaling \$795,600 by issuing a total of 5,304,001 Units of the Company. Each Unit had a purchase price of \$0.15 and consisted of one common share and one half of one common share purchase warrant of the Company. Each full warrant is exercisable at an exercise price of \$0.25 for a period of two years from the date of issuance. In association with this transaction, the Company also paid \$16,494 in finders', legal, filing and transfer agent fees. In addition, the company issued 26,000 common share purchase warrants as finders' fees. Each of these warrants are exercisable at an exercise price of \$0.15 for a period of two years from the date of issuance.

c) Stock options

Pursuant to the terms of the Amalgamation, the 4,028,008 outstanding stock options of RewardStream were cancelled. The Company recorded \$90,292 of share-based compensation relating to these options during the year ended September 30, 2016. There were no outstanding options of Musgrove prior to the Amalgamation.

The Company continued the stock option plan of Musgrove which provides for the granting of incentive stock options up to a maximum of 10% of the Company's issued and outstanding common shares. Terms of the options granted are subject to determination and approval by the Board of Directors. Following the Amalgamation, the number of options available to be granted were 3,865,707.

On September 7, 2016, the Board of Directors of the Company approved the grant of 3,588,333 options to directors, officers, employees and advisors of the Company. The options had an exercise price of \$0.30 and expire on September 7, 2019. The grant date fair value of these options was \$0.13. The Company recorded \$210,485 in share-based expense related to these options.

On February 1, 2017, the Board of Directors of the Company approved the grant of 200,000 options to an advisor to the Company. The options had an exercise price of \$0.185 and expire on February 1, 2020. The options vest on a quarterly basis over the next 12 months. The grant date fair value of these options was \$0.082. The Company recorded \$16,400 in share-based expense related to these options. The following assumptions were used in calculating the fair value of these stock options using the Black-Scholes Option Pricing Model.

Expected life (years)	3
Interest rate	0.72%
Volatility	70%
Dividend yield	0%

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**6. SHARE CAPITAL (Continued)**

c) Stock options (continued)

During the six months ended March 31, 2017, the Company recorded \$51,895 (2016 - \$590,597) in recognition of share-based compensation related to stock options.

Activity under the Plan for the six months ended March 31, 2017 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2016	3,588,333	\$ 0.30
Options granted	200,000	0.185
Options cancelled	-	-
Options expired	(5,000)	0.30
Balance, March 31, 2017	3,783,333	\$ 0.29

Activity under the Plan for the year ended September 30, 2016 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2016	4,028,008	\$0.35
Options granted	3,588,333	0.30
Options cancelled	(3,977,008)	0.35
Options expired	(51,000)	0.25
Balance, September 30, 2016	3,588,333	\$0.30

Company stock options outstanding and exercisable at March 31, 2017 are as follows:

Expiry (Years)	Exercise Price	Outstanding	Exercisable
2019	\$0.30	3,583,333	1,955,835
2020	\$0.185	200,000	50,000
		3,783,333	2,005,835

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**6. SHARE CAPITAL (Continued)**

c) Stock options (continued)

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

Expiry (Years)	Exercise Price	Outstanding	Exercisable
2019	\$0.30	3,588,333	1,594,584
		3,588,333	1,594,584

The weighted average remaining contractual life of options outstanding at March 31, 2017 is 2.46 (September 30, 2016 – 2.94) years.

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 nil (2016 - 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 March 31, 2020. On December 11, 2016, 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, the Company 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 5). The Company recorded \$5,724 to warrant reserve related to the issuance of these warrants. Pursuant to the Amalgamation, these warrants were re-priced and subdivided per the exchange ratio of 1.56 (see above) to \$0.63 and 63,673 warrants, respectively.

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:

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

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**6. SHARE CAPITAL (Continued)**

d) Warrants (continued)

On May 2, 2016, the Company issued 108,899 warrants, with an exercise price of \$0.39 expiring on May 2, 2018 warrants in connection with the loan from a related party (note 5). The Company recorded \$8,919 to warrant reserve related to the issuance of these warrants. Pursuant to the Amalgamation, these warrants were re-priced and subdivided per the exchange ratio of 1.56 (see above) to \$0.25 and 169,882 warrants, respectively.

Following the Amalgamation, the Company had 4,057,000 warrants outstanding related to the Private Placement (note 1). 2,000,000 of these warrants will expire on May 26, 2018, 2,057,000 will expire on July 27, 2018. In addition, prior to the Amalgamation, Musgrove had 740,740 warrants with an exercise price of \$0.36, and expiring on August 18, 2017. On completion of the Amalgamation these warrants were converted to warrants of the Company and consolidated to 370,370 warrants with an exercise price of \$0.72.

On completion of the private placement on March 23, 2017, the Company issued 2,652,001 share purchase warrants. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.25 for a period of 24 months until March 23, 2019.

The Company also issued 26,000 share purchase warrants as finder's fees for the private placement on March 23, 2017. The warrants entitle the holder to purchase one common share for each warrant at an exercise price of \$0.15 until March 23, 2019.

During the six months ended March 31, 2017, the Company recorded \$1,483 (2016 - \$590,597) in recognition of share-based compensation related to warrants.

The following assumptions were used in calculating the fair value of these warrants using the Black-Scholes Option Pricing Model.

Expected life (years)	2
Interest rate	0.72%
Volatility	69%
Dividend yield	0%

The table below summarizes the information on the outstanding warrants of the Company as at March 31, 2017:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
		\$	
Balance, beginning of period	4,660,925	0.51	1.66
Warrants granted	2,678,001	0.25	1.98
Warrants exercised	-	-	-
Warrants expired	-	-	-
<b>Balance, end of period</b>	<b>7,338,926</b>	<b>0.41</b>	<b>1.46</b>

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**6. SHARE CAPITAL (Continued)**

d) Warrants (continued)

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

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
		\$	
Balance, beginning of year	75,000	0.40	3.50
Warrants granted	1,318,678	0.07	1.54
Warrants exercised	(1,151,962)	0.02	-
Warrants expired	(8,161)	0.01	-
Warrants acquired from Private Placement	4,057,000	0.50	1.74
Warrants acquired from Musgrove	370,370	0.72	0.88
Balance, end of year	4,660,925	0.51	1.66

**7. RELATED PARTY TRANSACTIONS**

The compensation costs for key management personnel are as follows:

Six months ended March 31	2017	2016
Wages and benefits	\$420,962	\$325,212
Share-based compensation	36,300	20,617
	\$457,262	\$345,829

Incurred wages and benefits of \$420,962 (2016 - \$325,212) are included in the following:

- Sales and marketing \$133,462 (2016 - \$62,500);
- General and administrative \$242,500 (2016 - \$195,212); and
- Research and development \$45,000 (2016 - \$67,500)

**8. RESEARCH AND DEVELOPMENT**

Due to the Company being a publicly traded company in the period, it is no longer eligible for the same type and amount of research and development tax credits as prior to the Amalgamation. The Company incurred the following research and development expenditures net of the investment tax credits for the following periods:

Six months ended March 31	2017	2016
Research and development	\$ 230,625	\$ 283,778
Investment tax credit ("ITC")	-	(255,224)
	\$ 230,625	\$ 28,554

As of March 31, 2017, the Company has an accrued ITC receivable of nil (September 30, 2016 - \$298,305) The Company received the ITC receivable of \$298,305 in the six months ended March 31, 2017.

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**9. 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.

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, 2017.

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 large Canadian financial institutions in interest-bearing accounts. The Company's amounts receivable consists of amounts from large customers. Accounts receivable from four customers comprise 70% (September 30, 2016 - 79%) of the total accounts receivable balance, and therefore the Company is subject to risk should one of these major customers not pay 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, 2017 and September 30, 2016. The following table summarizes the four largest receivable balances from the Company's customers as at March 31, 2017 and September 30, 2016:

<b>March 31, 2017</b>	0 to 60 days	61 to 90 days	Greater than 90 days	Total
Customer 1	\$19,787	\$ -	\$ -	\$19,787
Customer 2	16,760	-	-	16,760
Customer 3	16,620	-	-	16,620
Customer 4	13,125	-	-	13,125
	\$66,292	\$ -	\$ -	\$66,292
<b>September 30, 2016</b>	0 to 60 days	61 to 90 days	Greater than 90 days	Total
Customer 1	\$41,090	\$ -	\$ -	\$41,090
Customer 2	36,125	-	-	36,125
Customer 3	9,815	9,826	-	19,641
Customer 4	8,244	8,254	-	16,498
	\$95,274	\$18,080	\$ -	\$113,354



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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. 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, 2017 and September 30, 2016:

	<b>March 31, 2017</b>	<b>September 30, 2016</b>
Accounts payable and accrued liabilities	\$ 171,337	\$ 322,958
Loan payable	64,991	108,215
	<b>\$ 236,328</b>	<b>\$ 431,173</b>

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, 2017 and September 30, 2016.

(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, 2017, the Company has monetary assets of \$109,333 (September 30, 2016 - \$95,839) and monetary liabilities of \$10,020 (September 30, 2016 - \$ 4,802) denominated in USD. For the period ended March 31, 2017, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 5% will increase or decrease net loss by approximately \$5,000 (September 30, 2016 - \$23,000). 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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**10. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company's assets were collateral for the outstanding SR&ED loan, the loans with Musgrove, and the Credit Agreement - which were repaid – and currently for the loan with the related party (note 5). As at March 31, 2017, the Company considers capital to consist of all components of equity and the loan 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.

**11. COMMITMENTS**

The Company leases its premises and certain equipment under long-term leases. The leases expire between 2017 and 2022. The minimum annual lease commitments during the next five years are:

2017	\$121,298
2018	240,558
2019	244,280
2020	244,062
2021	252,252
2022	60,606
	<hr/>
	\$1,163,056

Rent expense for the current period amounted to \$84,312 (2016 - \$127,877).

During the year ended September 30, 2016, the Company received a lease incentive allowance of \$84,225 related to leasehold improvements as an inducement to a 5-year lease term for the Vancouver office. This amount is amortized over the term of the lease.

**12. SEGMENTED INFORMATION**

The Company historically had three operating segments, as described below, which were the Company's strategic business units and one geographic segment. The Company discontinued the Loyalty and Source Code segments in the latter half of fiscal 2016. 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.

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**12. SEGMENTED INFORMATION (continued)**

- (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 March 31, 2016 pertained to contracts entered into in fiscal 2013. The Company did not enter 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 is as follows:

	<b>Six months ended March 31, 2017</b>			
	Loyalty	Referral	Source Code	Total
Revenue	\$ -	\$709,097	\$ -	\$709,097
Cost of goods sold	-	262,056	-	262,056
Operating expenses	-	447,041	-	447,041
Operating expenses	-	1,429,444	-	1,429,444
Loss from operations	\$ -	\$(982,403)	\$ -	\$(982,403)

	<b>Six months ended March 31, 2016</b>			
	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
Operating expenses	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)

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**13. SUBSEQUENT EVENT**

On April 28, 2017, the Company issued 340,000 options to a director of the Company. The options vest immediately, had an exercise price of \$0.13 and expire on April 28, 2020. On the same date, the Company issued 200,000 options to a consultant to the Company with an exercise price of \$0.13 and expire on April 28, 2020. These options vest in equal monthly increments for the 12 months following the issue date.