rewardstream

REWARDSTREAM SOLUTIONS INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

SEPTEMBER 30, 2017

(EXPRESSED IN CANADIAN DOLLARS)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To Shareholders of the RewardStream Solutions Inc.

We have audited the accompanying financial statements of RewardStream Solutions Inc., which comprise the statements of financial position as at September 30, 2017 and 2016, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of RewardStream Solutions Inc. as at September 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about RewardStream Solution Inc.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 29, 2018

REWARDSTREAM SOLUTIONS INC.
STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)

As at		September 30, 2017		September 30, 2016
ASSETS				
CURRENT ASSETS				
Cash	$	68,598	$	645,058
Accounts receivable (note 13)		75,887		245,804
Investment tax credits receivable (note 10)		-		298,305
Prepaid expenses and deposits		79,329		126,448
		223,814		1,315,615
DEPOSIT		18,720		18,720
EQUIPMENT AND LEASEHOLD IMPROVEMENTS (note 5)		106,791		131,416
	$	349,325	$	1,465,751
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (note 13)	$	207,628	$	322,958
Deferred revenue		50,594		61,201
Current portion of finance lease obligations (note 6)		4,686		4,206
Loans payable (notes 7 and 13)		68,736		108,215
		331,644		496,580
FINANCE LEASE OBLIGATIONS (note 6)		186		2,205
LEASE IMPROVEMENT ALLOWANCE (note 15)		67,379		84,225
		399,209		583,010
EQUITY(DEFICIENCY)				
SHARE CAPITAL (note 8)		12,927,577		11,682,848
SHARE-BASED COMPENSATION RESERVE (note 8)		1,889,663		1,715,223
WARRANT RESERVE (note 8)		212,648		207,042
DEFICIT		(15,079,772)		(12,722,372)
		(49,884)		882,741
	$	349,325	$	1,465,751

On behalf of the Board:

"" ""

, Director **, Director**

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

REWARDSTREAM SOLUTIONS INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)

	2017	**2016**
REVENUE (note 16)	$1,360,995	$1,641,960
COST OF SALES (notes 11 and 16)	462,455	668,590
	898,540	973,370
EXPENSES		
Sales and marketing (notes 9 and 11)	1,414,165	563,945
General and administrative (notes 9 and 11)	1,171,243	1,320,639
Research and development, net of investment tax credits (notes 9, 10 and 11)	443,431	288,000
Share-based compensation (notes 8 and 9)	174,440	1,261,153
Depreciation (note 5)	29,465	9,292
	3,232,744	3,443,029
LOSS FROM OPERATIONS	(2,334,204)	(2,469,659)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss)	(10,317)	4,515
Interest income	-	460
Finance expense (note 7)	(12,879)	(203,596)
Stock exchange listing expense (note 2)	-	(2,050,403)
	(23,196)	(2,249,024)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$(2,357,400)**	**$(4,718,683)**
LOSS PER SHARE, BASIC AND DILUTED	**$ (0.56)**	**$ (2.90)**
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**4,238,146**	**1,622,596**

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

REWARDSTREAM SOLUTIONS INC.
STATEMENT OF CHANGES IN EQUITY(DEFICIENCY)
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)

	SHARE CAPITAL		RESERVES			
	Number of Shares	**Amount**	**Share-Based Compensation Reserve**	**Warrant Reserve**	**Deficit**	**Total Equity (Deficiency)**
Balance at September 30, 2015	1,063,757	$ 6,618,213	$ 1,411,472	$ -	$ (8,003,689)	$ 25,996
Exchange of options for common shares (note 8)	76,729	565,720	-	-	-	565,720
Exercise of warrants (note 8)	115,196	411,792	(392,449)	-	-	19,343
Issuance of common shares for cash (note 8)	25,641	100,000	-	-	-	100,000
Amalgamation recapitalization (note 2)	718,677	-	-	-	-	-
Shares issued to shareholders of Musgrove (notes 2 and 8)	1,515,166	3,636,401	-	-	-	3,636,401
Issuance of warrants to Musgrove Minerals Corp (notes 2 and 8)	-	-	-	192,400	-	192,400
Amount recorded as share issue cost on Amalgamation (note 2)	-	(312,073)	-	-	-	(312,073)
Shares issued for offering costs (note 8)	95,000	-	-	-	-	-
Shares issued for convertible notes (note 8)	255,541	662,795	-	-	-	662,795
Issuance of warrants with loans (note 7)	-	-	-	14,642	-	14,642
Issuance of warrants (note 8)	-	-	395,423	-	-	395,423
Share-based compensation – stock options (note 8)	-	-	300,777	-	-	300,777
Net loss for the year	-	-	-	-	(4,718,683)	(4,718,683)
Balance at September 30, 2016	3,865,707	11,682,848	1,715,223	207,042	(12,722,372)	882,741
Issuance of shares for cash (note 8)	1,117,417	1,294,565	-	-	-	1,294,565
Share issuance cost (note 8)	-	(49,836)	-	5,606	-	(44,230)
Share-based compensation (note 8)	-	-	174,440	-	-	174,440
Net loss for the period	-	-	-	-	(2,357,400)	(2,357,400)
Balance at September 30, 2017	4,983,124	$ 12,927,577	$ 1,889,663	$ 212,648	$ (15,079,772)	$ (49,884)

Effective January 29, 2018, the Company completed a 10 for 1 consolidation of its common shares (note 8). The above table reflects the impact of the share consolidation.

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

REWARDSTREAM SOLUTIONS INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(EXPRESSED IN CANADIAN DOLLARS)

	2017	2016
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	$ (2,357,400)	$ (4,718,683)
Items not involving cash:		
Depreciation	29,465	9,292
Non-cash finance expense	10,522	188,294
Share-based compensation	174,440	1,261,153
Lease allowance amortization	(16,846)	-
Stock exchange listing expense	-	2,050,403
Changes in non-cash working capital items:		
Accounts receivable	169,917	(54,400)
Investment tax credits receivable	298,305	105,311
Prepaid expenses and deposits	47,119	(111,525)
Accounts payable and accrued liabilities	(115,330)	(33,526)
Deferred revenue	(10,607)	(24,583)
	(1,770,415)	(1,328,264)
FINANCING ACTIVITIES		
Receipt of cash from exercise of warrants and option	-	20,110
Repayment of finance lease obligations	(1,539)	(3,906)
Issuance of common shares, net of issuance costs	1,250,335	100,000
Loans received	-	937,093
Repayment of interest on loans payable	-	(42,371)
Repayment of loans payable	(50,000)	(420,569)
	1,198,795	590,357
INVESTING ACTIVITY		
Net cash acquired due to amalgamation	-	1,131,875
Leasehold improvements	-	(106,607)
Equipment purchases	(4,840)	-
Lease allowance	-	84,225
	(4,840)	1,109,493
INCREASE IN CASH DURING THE PERIOD	(576,460)	371,586
CASH, BEGINNING OF PERIOD	645,058	273,472
CASH, END OF PERIOD	$ 68,598	$ 645,058
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid – finance lease obligations	$ 259	$ 871
Interest paid – loans payable	$ -	$ 40,278

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

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

RewardStream Solutions Inc. (the “Company” or “Solutions”) is a provider of Software as a Service 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 201 – 440 Cambie Street, Vancouver, British Columbia, V6B 2N5.

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”). These financial statements present the financial results of RewardStream up to the date of the amalgamation and the financial results of the amalgamated entity thereafter (note 2). On August 4, 2016, Solutions commenced trading on the Exchange under the symbol REW.

These 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 $2,357,400 for the year ended September 30, 2017. As at September 30, 2017, the Company had an accumulated deficit of $15,079,772. 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 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 indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These 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. BASIS OF PRESENTATION

a) Amalgamation

These financial statements present the historical financial information of RewardStream up to the date of the Amalgamation on July 28, 2016 and the financial information of the amalgamated entity thereafter.

(EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF PRESENTATION (Continued)

a) Amalgamation (Continued)

The terms of the Amalgamation were as follows:

- The shareholders of RewardStream received 2,000,000 common shares of Solutions with an exchange ratio of 1.56, for a total of 1,281,324 issued common shares of RewardStream;
- The warrant holders of RewardStream received 23,356 warrants of Solutions in exchange for the 14,972 issued warrants of RewardStream;
- The shareholders of Musgrove received 1,515,166 common shares of Solutions in exchange for the 3,030,337 issued common shares of Musgrove; and
- The warrant holders of Musgrove received 442,737 warrants of Solutions in exchange for the 885,474 issued warrants of Musgrove.

Prior to the completion of the Amalgamation and in connection with this transaction, on July 27, 2016 Musgrove completed a private placement totaling $2,028,500 in two tranches on May 27 for $1,000,000 and on July 27, 2016 for $1,028,500 by issuing a total 1,622,800 Units (the “Private Placement”). Of the 1,622,800 Units issued, 78,400 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 $5.00 per share for a period of two years from the date of issuance. All securities issuable pursuant to the Private Placement are subject to a four-month hold period from the date of issuance. The warrants are subject to an accelerated expiry if the 10 trailing-day volume weighted average price of the shares on the Exchange exceeds at a post-Amalgamation price of $7.50. The private placement was completed prior to the closing of the Amalgamation and therefore the Musgrove common shares and warrants issued in this private placement are reflected in the issued common shares and warrants of Musgrove described in the terms of the Amalgamation above. Finder’s fees of $130,250 were paid by Musgrove and 95,000 common shares of Solutions were issued in connection with the completion of the Private Placement.

For accounting purposes, the Amalgamation was accounted for as an acquisition of Musgrove by RewardStream. RewardStream was determined to be the accounting acquirer on the basis that the shareholders of RewardStream obtained the majority of the common shares of the amalgamated entity.

The fair value of the consideration paid by RewardStream for the acquisition of Musgrove was determined based on the fair value of the equity instruments of Musgrove issued and outstanding at the time of the completion of the Amalgamation as follows:

Issued common shares of Musgrove	$	3,636,401
Issued warrants of Musgrove		192,400
Expenses incurred relating to the listing		47,191
Fair value of consideration paid	$	3,875,992

The fair value of the issued common shares of Musgrove was estimated to be $1.20 per share. The fair value of the issued warrants of Musgrove was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

Expected life (years)	1.84
Interest rate	0.57%
Volatility	71%
Dividend yield	0%

(EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF PRESENTATION (Continued)

a) Amalgamation (Continued)

The consideration paid was first allocated to the fair value of the assets and liabilities of Musgrove as follows:

Cash	$	1,131,875
Receivable due from RewardStream		404,175
Other receivables		76,259
Payables and other liabilities		(98,794)
Net assets of Musgrove	$	1,513,515
Excess of fair value of consideration paid over net assets acquired	$	2,362,476

The excess of the fair value of the consideration paid relates to cost of the private placement that was completed in connection with the Amalgamation (a share issue cost) and the cost of listing Solutions shares on a stock exchange (a stock exchange listing expense). The excess was allocated as follows:

Stock exchange listing expense	$	2,050,403
Share issue cost		312,073
Total	$	2,362,476

b) Statement of compliance

These annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

c) Approval of the financial statements

These financial statements were approved and authorized for issue by the Board of Directors on January 29, 2018.

d) Basis of measurement

These 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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting polices set out in note 3 have been applied consistently by the Company for all periods presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies:

e) Investment tax credits

Investment tax credits are recorded using the cost reduction approach. Investment tax credits related to current research and development expenditures are included in the statement of operations and comprehensive loss as a reduction of the expense to which it relates.

Investment tax credits are accrued on qualified expenditures when there is reasonable assurance that the credits will be realized. The investment tax credits are subject to review and audit by the Canada Revenue Agency ("CRA"). Although the Company has used its best judgment and understanding of the related income tax legislation in determining the amounts and timing of investment tax credits, it is possible that the amounts could change by a material amount depending on any future review and audit by the CRA.

f) Depreciation

Equipment and leasehold improvements are carried at cost less accumulated depreciation. Depreciation is recognized in profit or loss over the estimated useful lives of the related asset. Additions during the year are depreciated on a prorated basis:

Computer equipment	30% - 55%	declining-balance method
Furniture and equipment	20%	declining-balance method
Leasehold improvements	5 years	straight-line method

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g) Impairment of non-financial assets

Impairment tests on non-financial assets, including equipment, are undertaken annually at the financial year-end and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ("CGU"), which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (the CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Income taxes

The Company uses the statement of financial position method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

h) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions for warranties, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability at the reporting date. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

i) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be uncollectible. The allowance is based on the Company’s knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

j) Revenue recognition

The Company derives its revenue from the sale of its software as a service marketing technology. Revenue is generally in the form of monthly subscriptions and support fees as well as launch fees, implementation costs, excess usage fees, and other fees for one-off services requested by its customers. Revenue is recognized on a straight-line basis over the term of the contract which may be modified to more closely reflect the pattern in which the services are provided.

k) Research and development expenditures

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditures capitalized may include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Research and development expenditures (continued)

development expenditures are recognized in profit or loss as incurred.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Research and development expenditures are reduced by any related investment tax credits received.

l) Foreign currency translation

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company. Transactions in currencies other than the functional currency are translated into Canadian dollars on the following bases:

- Monetary assets and liabilities at the rate of exchange in effect at the statement of financial position date;
- Non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- Revenues and expenses (excluding depreciation, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

m) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss (“FVTPL”), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method. The Company has no assets classified as held-to-maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Financial instruments (continued)

Financial assets at FVTPL

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Subsequently, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment. Accounts receivable is included in this category of financial assets.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. The Company has no assets classified as AFS

(ii) Financial liabilities

The Company classifies its financial liabilities in the following category:

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of operations and comprehensive loss over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Other financial liabilities include accounts payable and accrued liabilities, loan payable and finance lease obligation.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized in profit or loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance accounts are recognized in profit or loss.

o) Equity instruments

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. Equity instruments are to be valued at either the fair value of the goods or services received or at the fair value of the equity instruments granted.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital, and any related amount recorded in warrants reserve is transferred to share capital.

p) Share-based compensation

The Company has a stock option plan that is described in note 8 that grants stock options to the Company's directors, officers and employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based compensation reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded amount to share-based compensation reserve is transferred to share capital.

The number of shares and options expected to vest is reviewed and adjusted at the end of

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Share-based compensation (continued)

each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss.

q) Use of estimates and judgments

The preparation of these 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.

(i) The collectability of accounts receivable

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

(ii) 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 ("SR&ED") expenditures recorded in the Company's financial statements.

(iii) The determination of the fair value of common shares issued

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 year.

(iv) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Use of estimates and judgments (continued)

Significant areas requiring the use of management judgments include:

- The completeness of deferred revenue

  Deferred revenue consists primarily of prepaid subscription and support fees and certain implementation contracts. Management has determined that the implementation revenue should be recognized based on the completion of the services implementation contract at year-end. Management applies judgment when determining the completion applicable to fixed-fee service contracts.

- The utilization of deferred income tax assets

  The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

- 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.

s) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

4. 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 year ended September 30, 2017, and have not been applied in preparing these 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:

a. Identify the contract with the customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligations in the contracts
e. 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)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

a. **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
b. **Impairment**. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
c. **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
d. **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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

IFRS 16 *Leases*

This new standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

(EXPRESSED IN CANADIAN DOLLARS)

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balance, September 30, 2015	$200,960	$106,825	-	$307,785
Additions	-	-	106,607	106,607
Balance, September 30, 2016	$200,960	$106,825	$106,607	$414,392
Additions	4,840	-	-	4,840
Balance, September 30, 2017	**$205,800**	**$106,825**	**$106,607**	**$419,232**
Accumulated Depreciation				
Balance, September 30, 2015	$176,246	$97,438	-	$273,684
Charge for the year	7,414	1,878	-	9,292
Balance, September 30, 2016	$183,660	$99,316	-	$282,976
Charge for the period	6,641	1,502	21,322	29,465
Balance, September 30, 2017	**$190,301**	**$100,818**	**$21,322**	**$312,441**
Carrying Value				
September 30, 2016	$17,300	$7,509	$106,607	$131,416
September 30, 2017	**$15,499**	**$6,007**	**$85,285**	**$106,791**

Included in computer equipment as at September 30, 2017 is leased computer equipment with a net carrying value of $15,499 (2016 - $17,300).

6. 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 finance lease obligations consist of:

	September 30, 2017	September 30, 2016
Finance lease payable in monthly instalments ranging from $36 to $149, including interest, ranging from 9.99% to 10.1% per annum	$ 5,131	$ 6,872
Less: Interest	259	460
	4,872	6,411
Less: Current portion	4,686	4,206
	$ 186	$ 2,205

Minimum repayments over the next two years are as follows:

2018	4,686
2019	186
	$4,872

7. LOANS PAYABLE

On May 1, 2015, the Company received a loan of $300,000 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. On December 9, 2015, the Company repaid the loan and $38,829 of accrued interest. Included in finance expenses is interest expense of $12,982 for the year ended September 30, 2016.

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 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 $2.50 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 40,000 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 40,000 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 128,545 common shares of Solutions. On August 9, 2016, the $200,000 loan and accrued interest of $17,489 was converted to 86,995 common shares of Solutions.

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 was also entitled to receive 4,082, warrants of the Company for each $100,000 advanced. The warrants were exercisable at a price of $9.80 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 amalgamation with Manado 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 4,082 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 amalgamation with Manado was cancelled 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). Included in finance expense is accretion and interest expense of $7,817 for the period ended September 30, 2016 for this loan.

7. LOANS PAYABLE (Continued)

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 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 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. $50,000 of this loan was repaid in the current year. The remaining balance remains outstanding and past due. For the year ended September 30, 2017 interest of $11,725 (2016 - $14,083) was accrued. Subsequent to year end the loan was assigned to 0890454 B.C. Ltd. (See Note 17 – Subsequent Events).

8. SHARE CAPITAL

a) Authorized:

- unlimited common shares, without par value

b) Issued and outstanding:

Effective January 29, 2018, the Company completed a consolidation of its issued and outstanding shares on the basis of one new common share for every ten old common shares. On completion of the consolidation the Company has 4,983,124 common shares, 416,333 stock options with a weighted average exercise price of $2.70 and 1,016,142 warrants with a weighted average exercise price of $3.30. All share, share equivalent, and per share amounts have been restated to retrospectively reflect this consolidation.

At September 30, 2017, the issued and outstanding common shares of the Company consisted of 4,983,124 common shares.

Share issuances during the year ended September 30, 2016 were as follows:

On December 11, 2015, the RewardStream approved the exchange of 215,450 options for 76,729 common shares of the Company to certain option holders for $766 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 December 11, 2015, RewardStream issued 7,500 common shares on the exercise of warrants for proceeds of $8,573.

8. SHARE CAPITAL (Continued)

b) Issued and outstanding (Continued):

On May 13, 2016, RewardStream issued 107,696 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 RewardStream issued 25,641 common shares at a price of $3.90 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 1,515,166 common shares of Solutions with a fair value of $3,636,401 to the shareholders of Musgrove (note 2).

On July 28, 2016, in connection with private placements completed by Musgrove prior to completing the Amalgamation, Solutions issued a finder's fee of 95,000 common shares with a fair value of $237,500. The common shares were accounted for as a share issue cost.

On July 28, 2016, Solutions issued 255,541 common shares at $2.50 per share on the conversion of the certain loans received from Manado (note 7). On exercise, 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.

Share issuances during the year ended September 30, 2017 were as follows:

On March 23, 2017, the Company completed a non-brokered private placement totaling $795,600 by issuing a total of 530,400 Units of the Company. Each Unit had a purchase price of $1.50 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 $2.50 for a period of two years from the date of issuance. In association with this transaction, the Company also paid $17,976 in finders', legal, filing and transfer agent fees, and share-based expenses. This included 2,600 common share purchase warrants as finders' fees. Each of these warrants are exercisable at an exercise price of $1.50 for a period of two years from the date of issuance.

On August 2, 2017, the Company announced that it closed a non-brokered private placement and raised a total of $498,965 by the issuance of 587,017 units at a price of $0.85 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $1.70 per share until August 2, 2019. The warrants are subject to an accelerated expiry if the 10 trailing-day volume weighted average price of the Company's shares on the Exchange exceeds $2.55. In connection with this private placement, the Company paid $31,860 in finders', legal, filing and transfer agent fees, and share-based expenses. This included 25,777 non-transferable finders warrants (a "Finders Warrant"). Each Finders Warrant entitles the holder to acquire one common share at an exercise price of $1.70 per share until August 2, 2019.

c) Stock options

During the year ended September 30, 2016, pursuant to the terms of the Amalgamation, the 397,709 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.

(EXPRESSED IN CANADIAN DOLLARS)

8. SHARE CAPITAL (Continued)

c) Stock options (Continued)

In the year ended September 30, 2017, the Company amended the terms of its option plan allowing 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. As at September 30, 2017 the number of options available to be granted under the plan were 81,979.

On September 7, 2016, the Board of Directors of the Company approved the grant of 358,833 options to directors, officers, employees and advisors of the Company. The options had an exercise price of $3.00 and expire on September 7, 2019. The grant date fair value of these options was $1.30.

On February 1, 2017, the Board of Directors of the Company approved the grant of 20,000 options to an advisor to the Company. The options had an exercise price of $1.85 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 $0.82.

On April 28, 2017, the Board of Directors of the Company approved the grant of 34,000 options to a director of the Company. The options vest immediately, had an exercise price of $1.30 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 $1.30 and expire on April 28, 2020. These options vest in equal monthly increments for the 12 months following the issue date.

Activity under the Plan for the years ended September 30, 2017 and 2016 are as follows:

		2017		**2016**
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	358,833	$3.00	402,801	$3.50
Options granted	74,000	1.45	358,833	3.00
Options cancelled	-	-	(397,701)	3.50
Options expired	(16,500)	3.00	(5,100)	2.50
Balance, end of year	416,333	2.70	358,833	$3.00

Company stock options outstanding and exercisable at September 30, 2017 and 2016 are as follows:

		2017		**2016**	
Expiry (Years)	Exercise Price	Outstanding	Exercisable	Outstanding	Exercisable
2019	$0.30	342,333	225,083	358,833	159,458
2020	$0.185	20,000	10,000	-	-
2020	$0.13	54,000	44,000	-	-
		416,333	279,083	358,833	159,458

(EXPRESSED IN CANADIAN DOLLARS)

8. SHARE CAPITAL (Continued)

c) Stock options (Continued)

The weighted average remaining contractual life of options outstanding at September 30, 2017 is 2.05 (2016 - 2.94) 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:

	2017	**2016**
Expected life (years)	3	3
Interest rate	0.72 - 0.78%	0.55%
Volatility	70 - 87%	71%
Dividend yield	0%	0%
Fair value	$0.70 - $0.80	$1.30

During the year ended September 30, 2017, the Company recorded an amount of $174,440 (2016 - $300,777) in recognition of share-based compensation related to 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 4% (2016 - Nil) in estimating the fair value of share-based compensation to be recognized.

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

On December 11, 2015, the Company amended the exercise price of 7,500 warrants originally issued on September 30, 2012 with an exercise price of $4.00 to $1.14. These warrants were exercised for cash of $8,573 during the year ended September 30, 2016.

On March 4, 2016 issued 4,082 warrants, with an exercise price of $9.80 and expiring on March 4, 2018, in connection with the loan from Code Consulting Limited (note 7). 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 note 2(a)) to $6.30 and 6,367 warrants, respectively.

(EXPRESSED IN CANADIAN DOLLARS)

8. SHARE CAPITAL (Continued)

d) Warrants (continued)

On April 18, 2016, the Company issued 108,512 warrants exercisable for common shares of the Company at $0.10 per common share and expire on May 13, 2016. The Company recorded the fair value of these warrants of $395,423 as share-based compensation. The fair value was estimated 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%

On May 2, 2016 the Company issued 10,890, with an exercise price of $3.90 expiring on May 2, 2018 in connection with the loan from a related party (note 7). 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 (note 2(a)) to $2.50 and 16,988 warrants, respectively.

Prior to the Amalgamation, Musgrove had 885,474 warrants outstanding. On completion of the Amalgamation these warrants were converted to warrants of the Company and consolidated to 405,0700 warrants with an exercise price of $2.50 and 37,037 warrants with an exercise price of $7.20.

In connection with the private placement that occurred on March 23, 2017, the Company issued 265,200 warrants. The warrants had an exercise price of $2.50 and an expiry date of March 23, 2019. The Company also issued 2,600 share purchase warrants as finder's fees for the private placement on March 23, 2017. These warrants entitle the holder to purchase one common share for each warrant at an exercise price of $1.50 until March 23, 2019.

As part of the private placement on August 2, 2017, the Company issued 293,509 warrants. The warrants had an exercise price of $1.70 and an expiry date of August 2, 2019. In addition, the Company issued 25,777 share purchase warrants as finder's fees for the private placement on August 2, 2017. The warrants entitle the holder to acquire one common share at an exercise price of $1.70 per share until August 2, 2019.

During the year ended September 30, 2017, the Company recorded $5,606 (2016 - $395,423) in recognition compensation related to finders' warrants. This amount was recorded in share issue costs.

(EXPRESSED IN CANADIAN DOLLARS)

8. SHARE CAPITAL (Continued)

d) Warrants (continued)

The weighted average assumptions were used in calculating the fair value of these warrants using the Black-Scholes Option Pricing Model were:

Expected life (years)	2
Interest rate	1.18%
Volatility	73%
Dividend yield	0%

The table below summarizes the information on the outstanding warrants of the Company as at September 30, 2017:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
		$	
Balance, September 30, 2015	7,500	4.00	3.50
Warrants granted	131,868	0.70	-
Warrants exercised	(115,196)	0.20	-
Warrants expired	(816)	0.10	-
Musgrove warrants	442,737	2.89	-
Balance, September 30, 2016	466,093	2.90	1.66
Warrants granted	587,086	2.10	-
Warrants expired	(37,037)	2.50	-
Balance, September 30, 2017	1,016,142	3.30	1.76

9. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise described in these financial statements are shown below.

The remuneration of the Company's directors and other members of key management, individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company, are as follows:

	2017	**2016**
Wages and benefits	$803,203	$848,461
Consulting fees	21,770	-
Share-based compensation	107,757	226,724
	$932,730	$1,075,185

- Sales and marketing $265,232 (2016 - $135,000);
- General and administrative $447,971 (2016 - $479,961); and
- Research and development $90,000 (2016 - $233,500).

(EXPRESSED IN CANADIAN DOLLARS)

10. RESEARCH AND DEVELOPMENT

		2017		2016
Research and development	$	443,431	$	586,305
Investment tax credit ("ITC")		-		(298,305)
	$	443,431	$	288,000

As of September 30, 2017, the Company has an accrued ITC receivable of $nil (2016 - $298,305) (note 7). The investment tax credit receivable at September 30, 2016 was received in full during the year ended September 30, 2017.

11. EMPLOYEE SALARIES AND BENEFITS EXPENSES

Employee salaries and benefits expenses are present in profit or loss as follows:

		2017		2016
Cost of sales	$	222,159	$	306,733
Sales and marketing		416,461		175,302
General and administrative		644,540		621,336
Research and development		428,379		547,073
	$	1,711,539	$	1,650,444

12. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

		2017		2016
Loss before income taxes	$	(2,357,400)	$	(4,718,683)
Statutory tax rate		26%		26%
Expected income tax recovery		(612,924)		(1,226,858)
Items not deductible for tax purposes		46,099		328,865
Impact of future income tax rates applied versus current statutory rate and future tax rate change		-		(445,940)
Impact of amalgamation with Musgrove		-		(2,302,096)
Change in timing differences		(8,602)		(112,660)
Unused tax losses and tax offsets not recognized		575,427		3,758,688
Total income tax	$	-	$	-

(EXPRESSED IN CANADIAN DOLLARS)

12. INCOME TAXES (Continued)

Deferred income tax assets and liabilities

The ultimate realization of deferred income assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Due to uncertainty surrounding realization of the deferred income tax assets in the future, the Company has not recognized the benefits of its deferred income tax assets other than an amount to offset deemed income tax liabilities. Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of September 30 are as follows:

	2017	2016
Non-capital losses	$ 4,174,063	$ 3,618,248
Equipment	-	(11,835)
Cumulative eligible capital	13,363	13,363
Research and development tax pools	652,017	644,240
Unrecognized deferred tax assets	(4,839,443)	(4,264,016)
Deferred tax asset, net	$ -	$ -

The Company has accumulated losses for Canadian tax purposes that expire in various years as follows:

Available to	Amount
2026	$ 971,000
2027	809,000
2028	1,315,000
2029	1,091,000
2030	2,123,000
2031	1,112,000
2032	469,000
2033	354,000
2034	1,172,000
2035	658,000
2036	3,842,000
2037	2,138,000
	$ 16,054,000

Research and development tax pools of $2,485,000 carry forward indefinitely.

(EXPRESSED IN CANADIAN DOLLARS)

13. 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.

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 year ended September 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 institutions in interest-bearing accounts. The Company's accounts receivable consist of amounts from large customers. Accounts receivable from four customers comprise 79% (2016 - 79%) of the total accounts receivable balance, and therefore the Company is subject to risk due to the potential of one of these major customers defaulting on the balance owing.

The following table summarizes the four largest receivable balances from the Company's customers:

2017	0 to 60 days	61 to 90 days	Greater than 90 days	Total
Customer 1	$36,232	-	-	$36,232
Customer 2	$8,606	-	-	8,606
Customer 3	$7,806	-	-	7,806
Customer 4	$7,465	-	-	7,465
	$60,109	$0	$0	$60,109

(EXPRESSED IN CANADIAN DOLLARS)

13. FINANCIAL INSTRUMENTS (Continued)

a) 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:

		2017		2016
Accounts payable and accrued liabilities	$	207,628	$	322,958
Loans payable		68,736		108,215
	$	276,364	$	431,173

The maturity of accounts payable is as follows:

		2017		2016
Accounts payable				
0 to 90 days	$	75,220	$	236,171
+90 days		9,660		-
	$	84,880	$	236,171

b) 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 September 30, 2017 and 2016. Interest rate risk is minimal as loans have a fixed interest rate.

13. FINANCIAL INSTRUMENTS (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")). The Company has monetary assets of $90,969 (2016 -$243,159) and monetary liabilities of $40,625 (2016 - $12,450) denominated in USD. For the year ended September 30, 2017, the Company's sensitivity analysis suggests that a change in the absolute rate of exchange in USD by 7% (2016 - 10%) will increase or decrease net loss and comprehensive loss by approximately $3,400 (2016 - $23,000). The Company has not entered into any foreign currency contracts to mitigate this risk.

14. 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 are collateral for the loan to the related party (note 7). As at September 30, 2017, the Company considers capital to consist of all components of equity (deficiency) 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.

15. 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:

2018	$ 240,558
2019	244,249
2020	244,062
2021	252,252
2022	60,606
	$ 1,041,727

Recorded in general and administrative expense is rent expense for the current year which amounted to $148,689, net of lease improvement allowance amortization (2016 - $246,884).

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.

(EXPRESSED IN CANADIAN DOLLARS)

16. 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:

a) 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.

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.

b) The Source Code segment includes licensing a copy of the Company's proprietary LMP to entities that have the technical ability to further develop the source code to meet their business needs. Source code revenue recognized during the year ended September 30, 2016 pertained to contracts entered into in fiscal 2013, amended in January 2015. The Company did not enter into any new similar contracts during the current year.

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.

A breakdown of revenues, cost of sales and operating expenses for each reportable segment for the years ended September 30, 2017 and 2016 is as follows:

	2017			
	Loyalty	Referral	Source Code	Total
Revenue	$ -	$ 1,360,995	$ -	$ 1,360,995
Cost of goods sold	-	462,455	-	462,455
	-	898,540	-	898,540
Operating expenses	-	3,232,744	-	3,232,744
Loss from operations	$ -	$ (2,334,204)	$ -	$ (2,334,204)

(EXPRESSED IN CANADIAN DOLLARS)

16. SEGMENTED INFORMATION (Continued)

	2016			
	Loyalty	Referral	Source Code	Total
Revenue	$ 24,999	$ 1,595,071	$ 21,890	$ 1,641,960
Cost of goods sold	18,614	630,016	19,960	668,590
	6,385	965,055	1,930	973,370
Operating expenses	45,739	3,371,589	25,701	3,443,029
Loss from operations	$ (39,354)	$ (2,406,534)	$ (23,771)	$ (2,469,659)

The Company has 2 significant customers which account for more than 10% of its revenue. These 2 customers account for 30% (2016 – 30%) and 20% (2016 – 20%) of total revenue.

17. SUBSEQUENT EVENTS

On November 29, 2017, the Company entered into a loan assignment agreement between the related party (note 7) and 0890454 B.C. Ltd. (the “Assignment Agreement”). Under the terms of the Assignment Agreement, the Company assigned the outstanding principal of the loan to the related party to 0890454 B.C. Ltd. The interest on the loan is still owing to the related party and will continue to accrue until a maturity date of January 31, 2018. The related party has agreed to convert the outstanding interest to common shares of the Company on January 31, 2018 at a price of $0.20 (post consolidated) per common share. The loan and interest remain secured by the assets of the Company.

On November 29, 2017, the Company entered into a loan agreement with 0890454 B.C. Ltd. For $190,574 at an annual interest rate of 6%, compounded annually, maturing on June 30, 2018. The loan is secured by the assets of the Company.