



**REWARDSTREAM SOLUTIONS INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN CANADIAN DOLLARS)**



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RewardStream Solutions Inc.

Opinion

We have audited the financial statements of RewardStream Solutions Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2019 and 2018, and the statements of operations and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of \$888,357 during the year ended September 30, 2019 and has accumulated deficit of \$18,160,419. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

February 10, 2020



An independent firm
associated with Moore
Global Network Limited

**REWARDSTREAM SOLUTIONS INC.
STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019 AND 2018
EXPRESSED IN CANADIAN DOLLARS**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,221	\$ 864,967
Accounts receivable	74,452	57,670
Prepaid expenses (note 8)	43,069	23,308
Total assets	\$ 118,742	\$ 945,945
LIABILITIES AND EQUITY (DEFICIENCY)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 5 and 8)	\$ 133,319	\$ 66,515
Loans payable (note 6)	-	5,650
Total liabilities	\$ 133,319	\$ 72,165
EQUITY (DEFICIENCY)		
Share capital (note 7)	15,996,267	15,996,267
Share-based compensation reserve (note 7)	1,860,580	1,860,580
Warrant reserve (note 7)	288,995	288,995
Deficit	(18,160,419)	(17,272,062)
Total equity (deficiency)	(14,577)	873,780
Total liabilities and shareholders' equity	\$ 118,742	\$ 945,945

Nature of business and continuance of operations (Note 1)

Approved and authorized by the Board of Directors:

"Patrick C.T. Morris"
Patrick C.T. Morris, Director

"Geoff Balderson"
Geoff Balderson, 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, 2019 AND 2018
EXPRESSED IN CANADIAN DOLLARS**

	2019	2018
EXPENSES		
Sales and marketing (note 8)	\$ -	\$ 49,592
General and administrative (note 8)	340,101	261,235
Consulting fees (notes 6, 7 and 8)	548,256	1,445,150
Share-based compensation (notes 7 and 8)	-	(29,083)
LOSS FROM OPERATIONS	(888,357)	(1,726,894)
OTHER EXPENSES		
Foreign exchange loss	-	2,201
Finance expense (note 6)	-	9,806
	-	(12,007)
LOSS FROM CONTINUING OPERATIONS	(888,357)	(1,738,901)
Loss from discontinued operations (note 12)	-	(453,389)
NET LOSS AND COMPREHENSIVE LOSS	\$ (888,357)	\$ (2,192,290)
LOSS PER SHARE FROM CONTINUING OPERATIONS, BASIC AND DILUTED	\$ (0.05)	\$ (0.16)
LOSS PER SHARE FROM DISCONTINUED OPERATIONS, BASIC AND DILUTED	\$ -	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	17,483,123	10,907,781

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

**REWARDSTREAM SOLUTIONS INC.
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
EXPRESSED IN CANADIAN DOLLARS (EXCEPT NUMBER OF SHARES)**

	SHARE CAPITAL		RESERVES			Total Equity (Deficiency)
	Number of Shares	Amount	Share-based Compensation Reserve	Warrant Reserve	Deficit	
Balance at September 30, 2017	4,983,124	\$ 12,927,577	\$ 1,889,663	\$ 212,648	\$ (15,079,772)	\$ (49,884)
Issuance of shares for cash (note 7)	12,499,999	3,250,000	-	-	-	3,250,000
Share issuance costs	-	(181,310)	-	76,347	-	(104,963)
Share-based compensation (note 7)	-	-	13,160	-	-	13,160
Share based compensation forfeited (note 7)	-	-	(42,243)	-	-	(42,243)
Net loss for the year	-	-	-	-	(2,192,290)	(2,192,290)
Balance at September 30, 2018	17,483,123	\$ 15,996,267	\$ 1,860,580	\$ 288,995	\$ (17,272,062)	\$ 873,780
Net loss for the year	-	-	-	-	(888,357)	(885,857)
Balance at September 30, 2019	17,483,123	\$ 15,996,267	\$ 1,860,580	\$ 288,995	\$ (18,160,419)	\$ (14,577)

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

**REWARDSTREAM SOLUTIONS INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
EXPRESSED IN CANADIAN DOLLARS**

	2019	2018
OPERATING ACTIVITIES		
Net loss from continuing operations	\$ (888,357)	\$ (1,738,901)
Items not involving cash:		
Non-cash finance expense	-	9,191
Share-based compensation	-	(29,083)
Share-based payments	-	666,805
Changes in non-cash working capital items:		
Accounts receivable	(16,782)	(118,777)
Prepaid expenses	(19,761)	51,099
Accounts payable and accrued liabilities	66,804	35,088
Deferred revenue	-	(17,839)
Cash used in operating activities	(858,096)	(1,142,417)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares, net of issuance costs	-	2,478,232
Repayment of finance lease obligations	-	(3,980)
Loans received	-	435,573
Repayment of loans payable	(5,650)	(507,850)
Cash provided by (used in) financing activities	(5,650)	2,401,975
Net cash used in discontinued operations	-	(463,189)
CHANGE IN CASH	(863,746)	796,369
CASH, BEGINNING	864,967	68,598
CASH, ENDING	\$ 1,221	\$ 864,967

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

**REWARDSTREAM SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
EXPRESSED IN CANADIAN DOLLARS**

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

RewardStream Solutions Inc. (the “Company” or “Solutions”) was a provider of Software as a Service (“SaaS”) marketing technology that powers loyalty marketing programs, referral programs.

On December 13, 2017, the Company incorporated a wholly-owned subsidiary, RewardStream Solutions NA Inc. (“RSNA”). On June 15, 2018, the Company completed the transfer of all of the assets of its referral and rewards business to RSNA and sold the subsidiary, RewardStream Solutions NA Inc. (“RSNA”) to Buyapowa Ltd. (note 12).

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 Suite 1000, 409 Granville Street, Vancouver, British Columbia V6C 1T2. Solutions trades on the TSX Venture Exchange under the symbol “REW”.

These financial statements have been prepared on a 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 \$888,357 for the year ended September 30, 2019. As at September 30, 2019, the Company had an accumulated deficit of \$18,160,419. 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 and to identify and acquire a suitable business opportunity. 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) 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 (“IASB”) and interpretations of the International Financial Reporting Issues Committee (“IFRIC”). The principal accounting policies applied in the preparation of these financial statements are set below. These policies have been consistently applied to all years presented, unless otherwise noted.

**REWARDSTREAM SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
EXPRESSED IN CANADIAN DOLLARS**

2. BASIS OF PRESENTATION (Continued)

These financial statements were approved and authorized for issue by the Board of Directors on February 10, 2020.

b) Basis of measurement

These financial statements have been prepared on a historical 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies:

a) 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 assets 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.

b) 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 carryforwards 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.

**REWARDSTREAM SOLUTIONS INC.
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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.

d) Revenue recognition

On October 1, 2018, the Company adopted the standards under IFRS 15, "Revenue from Contracts with a Customer". Revenues are recognized on a gross basis, when a service has been delivered, with the cost of obtaining the service being presented as cost of sales.

IFRS 15 provides a single, principle 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.

The Company derived revenue from the sale of its software as a service marketing technology and from royalties relating to the sale of the technology, which occurred during the prior year (note 12). Revenue from the service marketing technology was 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 from the service and marketing technology was 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. Revenue from royalties on license fees is accrued as it is earned and when collection is reasonably assured.

e) 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 transaction.

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

**REWARDSTREAM SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
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EXPRESSED IN CANADIAN DOLLARS**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial instruments

The Company has adopted IFRS 9 retrospectively as of October 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9 did not have a material impact on the Company's financial statements.

Financial Assets - Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss ("FVTPL"), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI.

The company's cash are measured at amortized cost.

Financial Assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in the entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are measurement categories under which the Company classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through OCI ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

**REWARDSTREAM SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Financial instruments (continued)

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Consolidated Statement of Loss and Comprehensive Loss in the period which it arises.

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses of the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities and loans payable as financial liabilities held at amortized cost.

g) 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.

**REWARDSTREAM SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Share-based compensation

The Company has a stock option plan that is described in note 7 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 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.

i) 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 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.

(iii) 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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Use of estimates and judgments (continued)

companies excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options is based on historical experience and general option holder behavior. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit and the rate is adjusted to reflect the actual number of options that actually vest.

Significant areas requiring the use of management judgments include:

- The 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.

Significant areas requiring the use of management judgments include (continued):

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.

k) 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 year. 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 the dilutive potential common shares.

**REWARDSTREAM SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
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4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting Standards and Amendments Issued But Not Yet Effective

The following new standard and interpretation will be adopted on October 1, 2019.

IFRS 16 *Leases* replaces IAS 17, *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a services contract on the basis of whether the customer controls the assets begin leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that have also adopted IFRS 15.

The Company anticipate that there will be no material changes to the financial statements upon adoption.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	September 30, 2018
Accounts payable	\$ 118,069	\$ 66,515
Accrued liabilities	15,250	-
	\$ 133,319	\$ 66,515

6. LOANS PAYABLE

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. The loan had an annual interest rate of 15%, compounded monthly, and was payable on October 31, 2016. The loan was secured by the assets of the Company. The related party also received 10,890 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 on October 27, 2016. On November 29, 2017, the outstanding principal was assigned - see below. The interest on the loan was still outstanding to the related party at this time. During the year ended September 30, 2018, \$3,542 was included in finance expense.

On November 29, 2017, the Company entered into a loan assignment agreement between the related party (above) and 0890454 B.C. Ltd. ("0890454") (the "Assignment Agreement"). Under the terms of the Assignment Agreement, the Company assigned the outstanding principal of the loan to 0890454, secured by the assets of the Company. During the year ended September 30, 2018 this loan was repaid.

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6. LOANS PAYABLE (Continued)

In addition, on November 29, 2017, the Company entered into a loan agreement with 0890454, whereby loaned the Company \$140,573 at 6% secured by the assets of the Company, and matured on September 30, 2018. Included in finance expense in 2018 was interest expense of \$5,650. The principal was repaid during 2018 and the balance of the loan payable to 0890454 at September 30, 2018 is comprised of accrued interest of \$5,650 which was repaid during the year ended September 30, 2019.

During the year ended September 30, 2018, the Company received non-interest bearing loans totaling \$295,000 from Northwest Marketing and Management Inc. ("Northwest Marketing"). These were fully repaid during in the year ended September 30, 2018.

On October 9, 2018, consulting fees of \$10,500 were paid to an individual. On December 1, 2018, the Company entered into an agreement with the individual for consulting services commencing December 1, 2018 for a 12 month period, for \$10,000 per month. The total amount of this contract of \$120,000 was advanced to the individual in December.

7. 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. All share, share equivalent, and per share amounts have been restated to retrospectively reflect this consolidation.

As at September 30, 2019 and 2018, the issued and outstanding common shares of the Company consisted of 17,483,123 common shares. There were no shares issued during the year ended September 30, 2019.

Share issuance during the year ended September 30, 2018 was as follows:

On April 17, 2018, the Company completed a non-brokered private placement totaling \$3,250,000 by issuing a total of 12,499,999 Units of the Company. Each Unit had a purchase price of \$0.26 and consisted of one common share and one common share purchase warrant of the Company. Each full warrant is exercisable at an exercise price of \$0.35 for a period of one year from the date of issuance. In association with this private placement, the Company also paid \$104,963 in finders' fees and issued 466,533 broker warrants with a fair value of \$76,347 that are exercisable at an exercise price of \$0.35 for a period of one year from the date of issuance.

At approximately the same date as the private placement, consulting fees of \$666,805 were paid to companies owned by individuals who had subscribed for shares which had gross proceeds of \$702,905 in the April private placement. These payments have been presented at net for cash flows, due to the effective timing of the transactions.

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7. SHARE CAPITAL (Continued)

b) Issued and outstanding: (continued)

During the remainder of 2018, consulting fees of \$100,000 were paid to a company owned by an individual who had subscribed for shares which had gross proceeds of \$65,000 in the April private placement.

During the year ended September 30, 2019,

- consulting fees of \$10,000 were paid to an individual who had subscribed for shares with gross proceeds of \$10,000 in the April private placement; and
- consulting fees of \$94,500 were paid to a company owned by an individual who had subscribed for shares with gross proceeds of \$20,000 in the April private placement.

c) Stock options

The Company has a stock option plan (the “Plan”) that permits the grant of share purchase options up to 10% of the issued and outstanding common shares of the Company to directors, officers, key employees and consultants. Terms of the options granted are subject to determination and approval by the Board of Directors.

Activity under the Plan for the year ended September 30, 2019 and 2018 were as follows:

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2017	416,333	\$ 2.70
Options forfeited	(416,333)	2.70
Balance, September 30, 2018 and 2019	-	\$ -

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.

There were no stock options granted during the year ended September 30, 2019 and 2018.

During the year ended September 30, 2018, the Company recorded an expense of \$13,160 in recognition of share-based compensation related to stock options vested. This was offset by forfeiture of stock options on June 15, 2018 related to the sale of subsidiary (note 12) and a reversal of \$42,243 was recognized for unvested options. The Black-Scholes option pricing model was calculated based on weighted average assumptions carried forward from the 2017 stock options. These estimates include volatility.

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.

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7. SHARE CAPITAL (Continued)

c) Stock options (continued)

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

The table below summarizes the information on the outstanding warrants of the Company for the years ended September 30, 2019 and 2018:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2017	1,016,142	\$ 3.30
Warrants granted	12,966,533	0.35
Warrants expired	(429,056)	4.92
Balance, September 30, 2018	13,553,619	\$ 0.42
Warrants expired	(13,553,619)	0.34
Balance, September 30, 2019	-	\$ -

8. 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, for the years ended September 30, 2019 and 2018 are as follows:

	2019	2018
Wages and benefits	\$ -	\$ 653,876
Consulting fees	110,400	21,684
Share-based compensation	-	6,777
	\$ 110,400	\$ 682,337

Prepaid expenses at September 30, 2019, includes \$43,069 (2018 - \$Nil) in advances to a company controlled by the CEO for travel expenses and consulting fees.

Accounts payable and accrued liabilities at September 30, 2019 includes \$7,230 (2018 - \$Nil) owing to a company controlled by the CFO for unpaid fees and expense reimbursements.

During the year ended September 30, 2018, the Company paid additional fees of \$100,000 to companies controlled by a former director and \$100,000 to a company controlled by the former CEO.

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8. RELATED PARTY TRANSACTIONS (Continued)

Wages and benefits of \$Nil (2018 - \$653,876) are included in the following expenses:

	2019	2018
Sales and marketing	\$ -	\$ 254,402
General and administrative	-	331,974
Research and development	-	67,500
	\$ -	\$ 653,876

9. INCOME TAXES

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

	2019	2018
Loss before income taxes	\$ (888,357)	\$ (2,192,290)
Statutory tax rate	27%	27%
Expected income tax recovery	(239,856)	(591,918)
Items not deductible for tax purposes	3,558	(3,105)
Effect of adjustment to statutory return	222,411	(554,850)
Share issuance costs	-	(28,340)
Impact of future income tax rates applied	80,166	-
Unused tax losses and tax offsets not recognized	(66,279)	1,178,213
Total income tax	\$ -	\$ -

Deferred income tax assets and liabilities

The ultimate realization of deferred income assets is dependent upon the generation of taxable income during the in 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 assets is recognized as of September 30 are as follows:

	2019	2018
Non-capital losses	\$ 7,013,917	\$ 7,074,527
Share issuance costs	17,004	22,672
Cumulative eligible capital	13,877	13,877
Research and development tax pools	676,791	676,791
Unrecognized deferred tax assets	(7,721,588)	(7,787,867)
Deferred tax assets, net	\$ -	\$ -

The Company has accumulated losses for Canadian tax purposes that expire in 2026 to 2039 totaling \$16,781,658. Research and development tax pools of \$2,485,000 carry forward indefinitely.

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10. FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, loans payable, 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, 2019.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a large Canadian financial institution in interest-bearing accounts.

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. As at September 30, 2019, the Company has a working capital deficiency of \$14,577. Management is considering different alternatives to secure adequate debt or equity financing to meet the Company's short term and long-term cash requirement.

At present, the Company's operations do not generate cash flow. The Company's primary source of funding has been the issuance of equity securities. Despite previous success in acquiring financing, there is no guarantee of obtaining future financings.

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 September 30, 2019 and 2018. Interest rate risk is minimal as loans have a fixed interest rate.

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10. FINANCIAL INSTRUMENTS (Continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation.

11. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the Company's objectives. In order to pay for general administrative costs, the Company will raise additional amounts as needed.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers shareholders' equity and working capital as components of its capital base. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

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12. SALE OF SUBSIDIARY

On June 15, 2018, the Company completed the transfer of all of the assets and liabilities of its referral and reward business to RSNA through an asset purchase agreement.

On June 15, 2018, the Company entered into a purchase and sale agreement with Buyapowa Ltd. ("Buyapowa") wherein the Company sold to Buyapowa all the issued and outstanding shares in the capital of RSNA in consideration for an upfront cash payment of \$150,000 (the "Closing Payment") and sliding-scale royalty payment based on license fees received from existing and active RSNA customers. The royalty commences at a 15% rate for an initial 11-month period and decreases over time, resulting in a perpetual 1% royalty after a period of 47 months. The royalty will be first applied against the Closing Payment until such fees equal \$150,000.

Purchase consideration	\$	150,000
Cash		40,276
Accounts receivable		136,994
Prepaid expenses and deposits		23,642
Equipment and leasehold improvements		88,676
Accounts payable and accrued liabilities		(45,985)
Due to Buyapowa		(35,000)
Other current liabilities		(95,216)
Finance lease obligation		(892)
Deferred revenue		(32,755)
Lease improvement allowance		(55,448)
Net assets sold		24,292
Gain on sale of subsidiary	\$	125,708

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12. SALE OF SUBSIDIARY (Continued)

The subsidiary operations have been reclassified as discontinued operations. The following summarizes operating and cash flow information relating to the discontinued operations:

	<u>For the year ended</u> <u>September 30, 2018</u>
REVENUE	\$ 894,540
COST OF SALES	<u>(270,212)</u>
	<u>624,328</u>
EXPENSES	
Sales and marketing	366,992
General and administrative	689,379
Research and development	131,373
Depreciation	18,115
Finance income	404
Foreign exchange loss (gain)	<u>(2,838)</u>
	1,203,425
OTHER ITEMS	
Gain from sale of subsidiary	<u>125,708</u>
Loss from discontinued operations	<u>\$ (453,389)</u>
Cash used in:	
Operating activities	<u>\$ (453,390)</u>
Gain from sale of subsidiary	(125,708)
Non-cash allowance for disposal of leasehold and equipment	6,184
Net cash received from sale of subsidiary	<u>109,725</u>
Total cash used in discontinued operations	<u>\$ (463,189)</u>