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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016**  
**(UNAUDITED)**

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**Management's Comments on Unaudited Condensed Interim Financial Statements**

The accompanying unaudited condensed interim financial statements of BlackIce Enterprise Risk Management Inc. as at and for the three and six months ended February 29, 2016 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

STATEMENTS OF FINANCIAL POSITION  
STATEMENTS OF COMPREHENSIVE LOSS  
STATEMENTS OF CHANGES IN EQUITY  
STATEMENTS OF CASH FLOWS  
NOTES TO FINANCIAL STATEMENTS

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)****AS AT FEBRUARY 29, 2016 AND AUGUST 31, 2015**(Expressed in Canadian Dollars)

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	Note	February 29 2016 (Note 1)	August 31, 2015 (Note 1)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 1,714	\$ 4,966
GST receivable		34,358	28,932
Prepaid expenses		2,310	2,310
Other current assets	4	90,002	-
		128,384	36,208
<b>PROPERTY AND EQUIPMENT</b>	6	2,724	3,205
<b>INTANGIBLE ASSETS</b>	7	500,900	475,457
		\$ 632,008	\$ 514,870

**Liabilities and Shareholders' Equity****CURRENT LIABILITIES**

Accounts payable and accrued liabilities		\$ 175,432	\$ 315,612
Related party payable	5	403,473	433,743
Loan payable	8	9,000	9,000
Notes payable	5	-	186,750
		587,905	945,105

**SHAREHOLDERS' EQUITY (DEFICIENCY)**

Share capital	10	2,414,912	1,808,502
Contributed surplus	10	495,500	495,500
Deficit		(2,866,309)	(2,734,237)
		44,103	(430,235)

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		\$ 632,008	\$ 514,870
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NATURE OF BUSINESS AND GOING CONCERN	1
SUBSEQUENT EVENTS	13

APPROVED BY THE DIRECTORS ON APRIL 28, 2016:

\_\_\_\_\_  
"DAVID TAYLOR" Director

\_\_\_\_\_  
"JUDY KALYAN" Director

**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**

(Expressed in Canadian Dollars)

		Three months ended		Six months ended	
	Note	February 29, 2016 (Note 1)	February 28, 2015 (Note 1)	February 29, 2016 (Note 1)	February 28, 2015 (Note 1)
Revenue		\$ 222,655	\$ -	\$ 222,655	\$ -
Less: Cost of revenue		145,000	-	145,000	-
Gross margin		77,655	-	77,655	-
Operating expenses					
Advertising		-	2,100	-	3,743
Amortization		241	196	481	392
Bank charges and interest		597	410	1,174	669
Consulting fees	5	30,000	25,150	60,000	42,650
Investor relations		25,000	12,893	25,000	17,893
Listing and filing		6,991	11,763	10,021	20,902
Management fees	5	30,000	30,000	60,000	60,000
Office and miscellaneous		1,819	6,697	7,374	17,687
Professional fees		3,013	42,407	9,094	44,948
Promotion and travel		-	41,992	25,352	62,500
Rent		10,305	16,160	13,905	29,850
Salaries and wages	5	-	10,629	-	22,576
		107,966	200,397	212,401	323,810
Loss before other item		30,311	200,397	134,746	323,810
Other items					
Gain on settlement of debt	5	(2,674)	-	(2,674)	-
Interest income		-	-	-	(463)
Net loss (income) and comprehensive loss (income)		\$ 27,637	\$ 200,397	\$ 132,072	\$ 323,347
Basic and diluted loss per share		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
Weighted average number of shares outstanding					
Basic and diluted		74,490,147	65,726,209	70,777,067	64,236,915

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**(Expressed in Canadian Dollars)

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	Note	Common Shares	Amount	Contributed Surplus	Deficit	Total
Balance as at August 31, 2014		62,763,987	\$ 1,506,032	\$ -	\$(1,345,915)	\$ 160,117
Shares issued on private placement, net of issuance costs	10	4,300,000	302,470	-	-	302,470
Share options issued	10	-	-	495,500	-	495,500
Net loss for the year		-	-	-	(1,388,322)	(1,388,322)
Balance as at August 31, 2015		67,063,987	1,808,502	495,500	(2,734,237)	(430,235)
Shares issued on private placement, net of issuance costs	10	2,173,000	106,410	-	-	106,410
Share issuance on settlement of debt	10	8,488,888	500,000	-	-	500,000
Net loss for the period		-	-	-	(132,072)	(132,072)
Balance as at February 29, 2016		77,725,875	\$ 2,414,912	\$ 495,500	\$(2,866,309)	\$ 44,103

**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**

(Expressed in Canadian Dollars)

	Note	3 months ended		6 months ended	
		February 29, 2016	February 28, 2015	February 29, 2016	February 28, 2015
<b>OPERATING ACTIVITIES</b>					
Net loss		\$ (27,637)	\$ (200,397)	\$ (132,072)	\$ (323,347)
Items not involving cash					
Amortization		241	196	481	392
Gain on settlement of debt	5	(2,674)	-	(2,674)	-
		(30,070)	(200,201)	(134,265)	(322,955)
Changes in non-cash working capital items					
Goods and services tax related		(757)	(5,115)	(5,426)	(307)
Prepaid expenses		-	3,413	-	7,038
Other current assets		(90,002)	-	(90,002)	-
Accounts payable and accrued liabilities		(147,755)	(10,084)	(137,506)	(20,081)
Deposits	9	(78,021)	-	-	-
<b>CASH USED IN OPERATING ACTIVITIES</b>		<b>(346,605)</b>	<b>(211,987)</b>	<b>(367,199)</b>	<b>(336,305)</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of computer equipment		-	-	-	(504)
Development of intangible assets		30,585	(99,086)	(25,443)	(170,532)
<b>CASH USED IN INVESTING ACTIVITIES</b>		<b>30,585</b>	<b>(99,086)</b>	<b>(25,443)</b>	<b>(171,036)</b>
<b>FINANCING ACTIVITIES</b>					
Advances (repayments) from (to) related parties		(300,415)	15,117	(217,020)	80,947
Settlement of debt with shares	5	606,410	-	606,410	-
Cash received from share issuance, net of related costs		-	302,470	-	302,470
<b>CASH PROVIDED FROM FINANCING ACTIVITIES</b>		<b>305,995</b>	<b>317,587</b>	<b>389,390</b>	<b>383,417</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(10,025)</b>	<b>6,514</b>	<b>(3,252)</b>	<b>(123,924)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>		<b>11,739</b>	<b>4,120</b>	<b>4,966</b>	<b>134,558</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>		<b>\$ 1,714</b>	<b>\$ 10,634</b>	<b>\$ 1,714</b>	<b>\$ 10,634</b>
<b>SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS</b>					
Interest expense		\$ 180	\$ -	\$ 360	\$ -
Income taxes paid		\$ -	\$ -	\$ -	\$ -

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**(Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

BlackIce Enterprise Risk Management Inc. (the "Company" or "BlackIce") (formerly Bonaparte Resources Inc. "Bonaparte") was incorporated pursuant to the Business Corporations Act (British Columbia) on July 10, 2007. The Company is a software sales and consulting company engaged in the business of providing software solutions and consulting services to financial institutions to meet their regulatory obligations. The head office, address and records office of the Company are located at #604 - 207 W Hastings Street, Vancouver, BC, Canada, V6B 1H7.

On June 2, 2014, Bonaparte completed an Asset Purchase Agreement (the "Agreement") with BlackIce Solutions Inc. ("BISI"), BlackIce Solutions and Technologies Inc. ("BIST"), Judy Kalyan and Mukhtar Kalyan (collectively, the "Vendors"). BISI and BIST were incorporated on April 17, 2014 and April 10, 2014 respectively pursuant to the Business Corporations Act (British Columbia) for the purpose of this transaction and were controlled by Mukhtar Kalyan. Both BISI and BIST had no transactions since incorporation, other than share capital issued. Bonaparte acquired certain intellectual properties by issuing shares which resulted in the Vendors obtaining control of the Company (the "Acquisition"). Accordingly, this transaction has been accounted for as a reverse asset acquisition for accounting purposes, with the Vendors being identified as the accounting acquirer. The results of operations of Bonaparte are included in these financial statements from the date of acquisition (June 2, 2014). The historical costs of the assets were not identifiable or recognized prior to the transaction.

Concurrent with this transaction, the Company changed its name from Bonaparte Resources Inc. to BlackIce Enterprise Risk Management Inc., and effected a change in directors, management and business. On May 22, 2014, its common shares were delisted from TSX Venture Exchange and on June 4, 2014, the common shares resumed trading on the Canadian Securities Exchange under the symbol "BIS".

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at February 29, 2016, the Company had a working capital deficiency of \$459,521, and for the six months then ended, had a net loss of \$132,072 and had negative cash flows from operations of \$359,439. The Company has funded ongoing operations primarily from proceeds of loans and advances from related parties and the issuance of shares. In the current fiscal year, the Company announced the initial sale of its Enterprise Risk Aggregation (ERA<sup>TM</sup>) solution to a bank in Vietnam to enable the bank to comply with Basel reporting requirements and recorded revenues of \$222,655 in the current period. The Company will continue to develop and expand its Vietnamese market and other markets in Southeast Asia. In order to meet its business objectives and to settle its liabilities as they become due, the Company expects to require additional financing in fiscal 2016. During the current period, the Company settle debt of \$502,674 by way of issuance of 8,488,888 common shares of the Company (note 15). The Company plans to raise further funds by way of equity issuance or related party loans in 2016. The Company's continuing operations and its financial success is dependent upon the extent to which it can successfully raise the capital to implement its future plans and ultimately on generating sufficient revenue to attain profitable operations. 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 relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**(Expressed in Canadian Dollars)

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**2. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board. They do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2015.

The policies applied in these condensed interim financial statements are based on International Financial Reporting Standards ("IFRS") effective as of February 29, 2016. During the current period, the Company announced the initial sale of its Enterprise Risk Aggregation (ERA™) solution to a bank in Vietnam. In addition to the accounting policies disclosed in the Company's audited financial statements for the year ended August 31, 2015, the Company has adopted the following accounting policy on sales revenue in the current period:

**Revenue**

Revenue is recognized at fair value of the consideration received or receivable less discount, rebate and consumption taxes.

Contract Revenue is recognized on a percentage of completion basis and when all of the following conditions are satisfied;

- (a) total contract revenue can be measured reliably
- (b) it is probable that the economic benefits associated with the contract will flow to the entity
- (c) both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably
- (d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Except for contract revenue, revenue is recognized when the risks and rewards of ownership of the goods transfers from the Company to the customer at the time of shipment, customer receipt, or upon customer approval depending on the terms of sale.

The condensed interim financial statements of the Company for three months and six months ended February 29, 2016 were approved and authorized for issue by the Board of Directors on April 28, 2016.

**3. FUTURE CHANGES IN ACCOUNTING STANDARDS**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the six months ended February 29, 2016, and have not been applied in preparing these financial statements. The following standards and interpretations applicable to the Company have been issued by the IASB and the IFRIC effective for annual periods beginning on or after September 1, 2015:

**3. FUTURE CHANGES IN ACCOUNTING STANDARDS (continued)**

(i) IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets*

In May 2014, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. This standard is effective for the Company for annual periods beginning on September 1, 2016.

(ii) IFRS 9 – *Financial Instruments*

IFRS 9 includes requirements for recognition and measurement, derecognition and hedge accounting. IFRS 9 was originally issued on November 2009, reissued in October 2010, and then amended in November 2013. The IASB is adding to the standard as it completes the various phases of its comprehensive project on financial instruments, and so it will eventually form a complete replacement for IAS 39 *Financial Instruments: Recognition and Measurement*.

In July 2014, the IASB published the final version of IFRS 9 bringing together the classification and measurement, impairment and hedge accounting phases of the IASB project to replace IAS 39. This version adds a new expected loss impairment model and limited amendments to classification and measurement of financial assets. IFRS 9 is effective for the Company for annual periods beginning on September 1, 2018.

(iii) IFRS 15 *Revenue from Contracts with Customers*

On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for the Company for annual periods beginning on September 1, 2018. Earlier application is permitted.

IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on September 1, 2018.

None of the above standards are expected to affect the existing financial statements but may affect the accounting for future transactions.



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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**(Expressed in Canadian Dollars)

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**4. OTHER CURRENT ASSETS**

Revenue of 222,655 (2015 - nil) relating to installation contracts been included in revenue for the current reporting period. The amounts recognized in the statement of financial position relate to installation contracts in progress as at February 29, 2016. The amounts are calculated as the net amounts of costs incurred plus recognized profits, less recognized losses and progress billings.

**5. RELATED PARTIES TRANSACTIONS AND BALANCES****Key Management Compensation**

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Company's executive officers and members of the Board of Directors. Key management compensation consisted of the following:

	Six months ended,	
	February 29, 2016	February 28, 2015
<b>Transactions</b>		
Management fees:		
Chief Executive Officer ("CEO")	\$ 60,000	\$ 60,000
	<u>\$ 60,000</u>	<u>\$ 60,000</u>
Salaries and wages:		
Chief Information Officer ("CIO")	\$ -	\$ 44,151
Chief Technology Officer ("CTO")	39,463	23,371
	<u>\$ 39,463</u>	<u>\$ 67,522</u>
Consulting fees:		
A member of the Board of Directors	\$ 60,000	\$ -
	<u>\$ 60,000</u>	<u>\$ -</u>

Of the salaries and wages paid to related parties, \$24,000 (2015 - \$22,075) is included in salaries and wages or cost of services on the statement of comprehensive loss, and \$15,463 (2015 - \$45,447) is included in intangible assets.

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**(Expressed in Canadian Dollars)

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**5. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

	February 29, 2016	August 31, 2015
<b>Balances</b>		
Due to (from) related parties		
CEO	\$ 209,043	\$ 206,913
A company controlled by the former CEO	84,630	84,630
CTO	39,800	15,900
A company controlled by the former CFO	-	6,300
A member of the Board of Directors	70,000	120,000
	<u>\$ 403,473</u>	<u>\$ 433,743</u>
<b>Notes payable</b>		
Promissory Notes payable to the Vendors	\$ -	\$ 11,750
Note payable to CEO	-	175,000
	<u>\$ -</u>	<u>\$ 186,750</u>

During the current period, the Company issued 8,488,888 common shares in settlement of debt of \$502,674, of which 5,888,888 common shares were issued to related parties in settlement of debt of \$370,000.

**6. PROPERTY AND EQUIPMENT**

	Computer Equipment
<b>Cost</b>	
Balance, August 31, 2014	\$ 2,231
Additions	2,470
Balance, August 31, 2015	4,701
Additions	-
Balance, November 30, 2015	<u>\$ 4,701</u>
<b>Accumulated amortization</b>	
Balance, August 31, 2014	\$ 122
Additions	1,374
Balance, August 31, 2015	1,496
Additions	481
Balance, November 30, 2015	<u>\$ 1,977</u>
<b>Net book value</b>	
August 31, 2015	\$ 3,205
February 29, 2016	<u>\$ 2,724</u>

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**(Expressed in Canadian Dollars)

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**7. INTANGIBLE ASSETS**

The Company's intangible assets consist of intellectual property associated with the Company's ERA™ (Enterprise Risk Aggregation) software solution, an enterprise wide Risk Management application solution for financial institutions and GCD™ (Governance & Compliance Database), an application that allows financial institutions to assess adherence to Minimum Regulatory Requirements or to requirements specific to the institution.

The Company's intangible asset carrying balance is as follows:

Balance, August 31, 2014	\$	120,820
Development costs capitalized:		
Consulting fees		160,423
Salaries and wages		119,889
Share based compensation		74,325
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Balance as at August 31, 2015		475,457
Development costs capitalized:		
Consulting fees		25,443
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Balance as at February 29, 2016	\$	500,900

**8. LOAN PAYABLE**

The Company's loan payable is to an individual lender. The loan is unsecured and is due on August 31, 2016 at an annual interest rate of 8%. The loan is repayable earlier with interest and without penalty.

**9. DEPOSITS**

The Company's deposits consist of initial payments received under its sales agreements relating to sale of its ERA™ solution. These sales agreements have milestones pursuant to which subsequent instalment payments will be paid. Because (a) the contract costs to complete the contract and the stage of contract completion at the end of the reporting period cannot be measured reliably and (b) the contract costs attributable to the contract cannot be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates, these payments have not been recognized as sales revenue in the period (note 2).

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**(Expressed in Canadian Dollars)

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**10. SHARE CAPITAL**

## a) Authorized:

An unlimited number of common shares without par value.

An unlimited number of preferred shares without par value

## b) Shares Issued and outstanding:

	Number of Shares	Amount
Balance as at August 31, 2014	62,763,987	\$1,506,032
Shares issued on private placement, net of share issuance costs	4,300,000	302,470
Balance as at August 31, 2015	67,063,987	1,808,502
Shares issued on private placement, net of share issuance costs	2,173,000	106,410
Shares issued on settlement of debt	8,488,888	500,000
Balance as at February 29, 2016	77,725,875	\$2,414,912

On December 29, 2014, the Company closed a private placement of 4,300,000 Units at \$0.08 per Unit for gross consideration of \$344,000. Each Unit comprised one common share and one share purchase warrant entitling the holder to purchase one common share for a period of 2 years at \$0.15 per share. Share issue costs of \$41,530 were incurred.

On December 4, 2015, the Company issued 8,488,888 common shares with total value of \$5,000,000 in settlement of debt of \$502,674.

On February 12, 2016, the Company completed a non-brokered private placement of 2,173,000 units at \$0.05 per unit for gross proceeds of \$108,650 with a finders fee of \$2,240, with each unit consisting of one common share and one half share purchase warrant. Each warrant is exercisable to purchase one common share at \$0.10 per share until February 12, 2018.

## c) Escrowed Shares

Pursuant to an escrow agreement dated June 2, 2014, 44,000,000 shares issued pursuant to the Acquisition are subject to escrow restrictions. Upon completion of the transaction 4,400,000 shares were released from escrow with the balance to be released in six-month intervals at 15% per release. As at February 29, 2016, a total of 19,800,000 shares remain in escrow.

## d) Stock Options

The Company grants incentive stock options as permitted by the Company's Stock Option plan ("the Plan") approved by the shareholders of the Company. The aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of five years. If the optionee ceases to be qualified to receive options from the Company those options expire immediately. All options vest when granted unless otherwise specified by the Board of Directors.

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**(Expressed in Canadian Dollars)

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**10. SHARE CAPITAL (continued)**

## d) Stock Options (continued)

The Company was deemed to issue 85,000 options previously granted by Bonaparte upon the completion of the Acquisition (see also Note 3). The fair value of the options was determined to be immaterial. During the year ended August 31, 2015, the Company granted 5,000,000 options exercisable at \$0.10 per share for a period of 10 years and recognized stock based compensation of \$495,500 of which \$74,250 was included in intangible assets. The fair value of the options was determined using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. Changes in assumptions can materially affect estimates of fair value. The following assumptions were used for the calculation:

Market price of shares	0.10
Risk free interest rate	0.5
Expected life (in years)	10
Expected volatility	165%
Expected dividend yield	0%

Information regarding the Company's outstanding share purchase options is summarized below:

Options outstanding and exercisable					
	Expiry date	Number	Exercise price	Weighted average life remaining	Weighted average exercise price
Balance, August 31, 2014		85,000	\$ 0.45	0.19	\$ 0.45
Issued April 10, 2015	April 10, 2025	5,000,000	\$ 0.10	9.37	\$ 0.10
Balance, August 31, 2015		5,085,000		9.21	\$ 0.11
Expired February 8, 2016		(85,000)			
Balance, February 29, 2016		5,000,000	\$ 0.10	9.12	\$ 0.10

## e) Warrants

The Company was deemed to issue 2,345,000 warrants as previously granted by Bonaparte upon the completion of the Acquisition. The fair value of the options was determined to be immaterial using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. Changes in assumptions can materially affect estimates of fair value. The following assumptions were used for the calculation:

Market price of shares	0.05
Risk free interest rate	1.021%
Expected life (in years)	0.25
Expected volatility	150%
Expected dividend yield	0.0%

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**BLACKICE ENTERPRISE RISK MANAGEMENT INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2016 AND FEBRUARY 28, 2015**(Expressed in Canadian Dollars)

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**10. SHARE CAPITAL (continued)**

## e) Warrants (continued)

Information regarding the Company's outstanding warrants is summarized below:

	Expiry date	Number	Exercise price
Balance, August 31, 2014		2,000,000	\$0.30
Issued on private placement	December 29, 2016	4,300,000	\$0.15
Balance, August 31, 2015		6,300,000	\$0.20
Issued on private placement	February 12, 2018	2,173,000	\$0.10
Balance, February 29, 2016		8,473,000	\$0.17

The following table summarizes the share purchase warrants outstanding and exercisable as at February 29, 2016:

Warrants outstanding	Exercise price	Remaining contractual life (years)	Expiry date
2,000,000	\$0.30	0.26	June 2, 2016
4,300,000	\$0.15	0.83	December 29, 2016
2,173,000	\$0.10	1.96	February 12, 2018

**11. CAPITAL MANAGEMENT**

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator (see also note 1).

## **12. FINANCIAL INSTRUMENTS AND RISK**

### *Fair values*

The Company's financial instruments include cash and cash equivalents, due from related parties, accounts payable and Notes payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

As at February 29, 2016, the Company does not recognize any financial assets or liabilities at their fair value.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. To minimize the credit risk, the Company places these instruments with financial institutions. The carrying value of cash and cash equivalents and GST receivable is the Company's maximum exposure to credit risk as at February 29, 2016.

During the six months ended February 29, 2016, the Company entered into agreements for sale of its ERATM solutions for which are based in US dollars. Future payments under these agreements are based on certain milestones and the Company will be exposed to foreign exchange risk. The Company has not entered into any foreign exchange forward arrangements with any counterparties.

The Company is not exposed to significant interest rate risk or other market risks at this time.

## **13. SUBSEQUENT EVENT**

On April 15, 2016, the Company announced that it has completed a previously announced non-brokered private placement of 7,155,000 Units at \$0.05 per unit for gross proceeds of \$357,750. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant is exercisable to acquire an additional common share at \$0.10 per share until April 11, 2018. The Company also paid an 8% cash fee totaling \$26,600 to finders.