

**Vogogo Inc.**  
Consolidated Financial Statements  
(in Canadian dollars)  
*For the years ended December 31, 2016 and 2015*

## **Management's Responsibility**

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To the Shareholders of Vogogo Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board, through the Audit Committee, is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board also has the responsibility of recommending the appointment of the Corporation's external auditors and to meet with the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues.

Collins Barrow Calgary LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 13, 2017

(signed) "*Gino DeMichele*"

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Interim Chief Executive Officer

(signed) "*Gino DeMichele*"

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Acting Chief Financial Officer

## **INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of  
Vogogo Inc.

We have audited the accompanying consolidated financial statements of Vogogo Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended December 31, 2016 and December 31, 2015, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vogogo Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015, and their financial performance and their cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

*Collins Barrow Calgary LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada  
April 13, 2017

**Vogogo Inc.**  
Consolidated Statements of Financial Position  
*(in CAD)*  
As at

	December 31 2016 \$	December 31 2015 \$
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	7,908,963	10,489,615
Cash held in trust (note 8)	190,141	1,888,008
Trade and other receivables	22,262	60,442
Notes receivable (note 15(b))	-	157,500
Prepaid expenses and deposits	27,190	28,213
	<b>8,148,556</b>	<b>12,623,778</b>
Non-current assets:		
Property and equipment (note 7)	-	9,465
Intangible assets (note 6)	-	3,009,917
Long-term investment	-	145,000
	-	3,164,382
<b>Total assets</b>	<b>8,148,556</b>	<b>15,788,160</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Current liabilities:		
Trade and other payables (notes 9 and 15(c))	346,262	710,120
Trust liabilities (note 8)	190,141	1,888,008
Contingent consideration payable (note 6)	-	2,597,160
<b>Total liabilities</b>	<b>536,403</b>	<b>5,195,288</b>
<b>Shareholders' Equity</b>		
Share capital (note 11)	31,222,125	30,944,778
Warrants (note 12)	403,826	550,364
Contributed surplus (note 12)	5,279,312	2,347,555
Accumulated other comprehensive income	-	17,561
Deficit	(29,293,110)	(23,267,386)
Total shareholders' equity	<b>7,612,153</b>	<b>10,592,872</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,148,556</b>	<b>15,788,160</b>

Commitments and contingences (note 16)  
Subsequent events (note 16(b))

Approved on behalf of the Board

(signed) "Dale Johnson"  
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Chairman and Director

(signed) "Gino DeMichele"  
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Interim Chief Executive Officer and  
Director

*The accompanying notes are an integral part of the consolidated financial statements.*

**Vogogo Inc.**  
Consolidated Statements of Loss and Comprehensive Loss  
*(in CAD)*  
For the years ended:

	<b>December 31 2016</b>	December 31 2015
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
General and administrative	<b>601,515</b>	630,724
Stock-based compensation (note 12)	<b>281,673</b>	241,708
<b>Total Expenses</b>	<b>883,188</b>	872,432
<b>OTHER INCOME</b>		
Interest income (note 14)	<b>64,803</b>	74,660
<b>Loss from continuing operations</b>	<b>(818,385)</b>	(797,772)
Loss from discontinued operations (note 20)	<b>(5,207,339)</b>	(11,364,183)
<b>Loss</b>	<b>(6,025,724)</b>	(12,161,955)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Exchange gain (loss) on translation of foreign operations related to discontinued operations	<b>(17,561)</b>	17,561
<b>Loss and comprehensive loss</b>	<b>(6,043,285)</b>	(12,144,394)
<b>Loss per share from continuing operations - basic and diluted (note 11)</b>	<b>(0.02)</b>	(0.02)
<b>Loss per share from discontinued operations - basic and diluted (note 11)</b>	<b>(0.10)</b>	(0.26)

*The accompanying notes are an integral part of the consolidated financial statements.*

**Vogogo Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
*(in CAD)*  
For the years ended:

	Share Capital \$	Warrants \$	Contributed Surplus \$	Accumulate d Other Comprehens ive Income \$	Deficit \$	Total \$
Balance, December 31, 2014	14,934,913	1,196,919	1,117,616	-	(11,105,431)	6,144,017
Issuance of shares related to acquisition of Vanado Inc. (notes 6(a) and 11)	1,006,720	-	-	-	-	1,006,720
Issuance of shares on acquisition of Mevia Inc. (notes 6(b) and 11)	1,650,000	-	-	-	-	1,650,000
Share-based compensation (note 12)	-	-	1,604,043	-	-	1,604,043
Exercise of stock options (note 12)	831,152	-	(374,104)	-	-	457,048
Exercise of stock warrants (note 12)	1,259,269	(646,555)	-	-	-	612,714
Issuance of shares through short form prospectus, net of issue costs (note 11)	11,262,724	-	-	-	-	11,262,724
Net loss and comprehensive loss	-	-	-	17,561	(12,161,955)	(12,144,394)
Balance, December 31, 2015	30,944,778	550,364	2,347,555	17,561	(23,267,386)	10,592,872
Share-based compensation (note 12)	-	-	350,398	-	-	350,398
Repurchase of shares (note 11)	(2,714,321)	-	2,434,821	-	-	(279,500)
Issuance of shares related to acquisition of Vanado Inc. (notes 6(a) and 11)	77,500	-	-	-	-	77,500
Expiry of stock warrants (note 12)	-	(146,538)	146,538	-	-	-
Issuance of shares through private placement, net of issue costs (note 11)	2,914,168	-	-	-	-	2,914,168
Net loss and comprehensive loss	-	-	-	(17,561)	(6,025,724)	(6,043,285)
<b>Balance, December 31, 2016</b>	<b>31,222,125</b>	<b>403,826</b>	<b>5,279,312</b>	<b>-</b>	<b>(29,293,110)</b>	<b>7,612,153</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

**Vogogo Inc.**  
Consolidated Statements of Cash Flows  
*(in CAD)*  
For the years ended:

	<b>December 31 2016 \$</b>	December 31 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from continuing operations	(818,385)	(797,772)
Add back (deduct) items not involving cash:		
Stock-based compensation from continuing operations (note 12)	281,673	241,708
Net cash flows from continuing operations	(536,712)	(556,064)
Net cash flows from discontinued operations	(4,826,547)	(7,957,880)
Net cash used in operating activities	(5,363,259)	(8,513,944)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash flows from discontinued operations	8,000	-
Net cash generated by investing activities	8,000	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash flows from discontinued operations	2,792,168	12,332,486
Net cash generated by financing activities	2,792,168	12,332,486
Effect of changes in foreign exchange rates on cash held in foreign currencies relating to discontinued operations	(17,561)	151,689
Net increase (decrease) in cash and cash equivalents for the year	(2,580,652)	3,970,231
Cash and cash equivalents, beginning of the year	10,489,615	6,519,384
<b>Cash and cash equivalents, end of the year</b>	<b>7,908,963</b>	<b>10,489,615</b>
<b>Supplemental cash flow information:</b>		
Interest paid relating to discontinued operations	33,691	34,441
	<b>2016</b>	<b>2015</b>
<b>Cash and cash equivalents consists of the following:</b>		
Cash held in banks	\$ 358,638	\$1,939,616
Guaranteed investment certificates (note 3(b))	7,550,325	8,549,999
	<b>\$7,908,963</b>	<b>\$10,489,615</b>



## 1. NATURE OF OPERATIONS

Vogogo Inc. (the "Corporation" or "Vogogo") provided payment processing and related transaction risk services. During 2016, Vogogo discontinued its payment processing and related transaction risk services and the Corporation is now assessing alternate business opportunities (note 20). Vogogo Canada Inc. was incorporated under the *Business Corporations Act* (Alberta) on July 26, 2010 and is a wholly-owned subsidiary of the Corporation. In addition, on August 13, 2012 the Corporation incorporated Vogogo USA Inc., a wholly-owned subsidiary and Delaware company and on October 1, 2014 the Corporation incorporated Vogogo EU Ltd, a wholly-owned subsidiary registered under the laws of United Kingdom. On January 1, 2015 the Corporation acquired all the issued and outstanding shares of Vanado Inc. a Colorado company. During the year ended December 31, 2016, the Corporation dissolved Vogogo USA Inc., Vogogo EU Ltd. and Vanado Inc.

The head office is located at PO Box 34023 Westbrook PO, Calgary, Alberta, Canada, T3C 3W2.

The shares of Vogogo are traded on the TSX Venture Exchange under the symbol VGO.

## 2. BASIS OF PRESENTATION

### (a) Statement of compliance

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors on April 13, 2017.

### (b) Basis of measurement and preparation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The consolidated financial statements have been prepared under the historical cost basis, except as noted in note 3(i).

General and administrative expenses are presented on a functional basis. Stock-based compensation is presented on a separate line by their nature. Significant expenses such as personnel expenses are presented by their nature in the notes to the consolidated financial statements.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD") which is the functional currency of the Corporation and Vogogo Canada Inc. The functional currency of Vogogo USA Inc. and Vanado Inc. was U.S. dollars ("USD") and the functional currency of Vogogo EU Ltd. was British Pounds ("GBP").

### (d) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany transactions and balances have been eliminated in these consolidated financial statements. Subsidiaries are those entities that the Corporation controls by having the power to govern the financial and operating policies of the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases. The accounting policies of the subsidiaries are consistent with the policies adopted by the Corporation.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Business combinations

Business combinations are accounted for using the acquisition method where the acquisitions of companies and assets meet the definition of a business under IFRS. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Contingent consideration is included in the purchase price at fair value at the date of acquisition based on the likelihood of the consideration being ultimately paid and the expected timing of the payment. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Following initial recognition, goodwill is recognized at cost less any accumulated impairment losses. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a bargain purchase gain in profit or loss. Associated transaction costs are expensed when incurred.

(b) Cash and cash equivalents

Cash and cash equivalents consist of amounts held in current bank accounts and highly liquid short-term investments, including those with maturities of less than three months. As at December 31, 2016, the Corporation held guaranteed investment certificates of \$7,550,325 (2015 - \$8,549,999) bearing interest at an average rate of 0.70% (2015 - 0.88%) and maturing between April and October 2017 (2015 - June 2016).

(c) Revenue recognition

The Corporation generated revenue through transaction fees on payment processing and fees from transaction risk services. In all cases, revenues generated in the normal course of business were measured at the fair value of the consideration received or receivable. Transaction fee revenues were recognized upon completion of the payment transaction. Risk platform revenues were recognized on a straight-line basis over the term of the services provided. Rebates and similar deductions are deducted from revenues.

Interest income is recognized as it accrues in the consolidated statement of loss and comprehensive loss using the effective interest rate method.

(d) Research and development

Research costs are expensed when incurred. Internally-generated software costs, including personnel costs of the Corporation's development group, are capitalized as intangible assets when the Corporation can demonstrate that the technical feasibility of the project has been established; the Corporation intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Corporation can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. These costs are amortized on a straight-line basis over the estimated useful life of three years. The Corporation did not have any development costs that met the capitalization criteria for the years ended December 31, 2016 or 2015.

(e) Property and equipment

Property and equipment are stated at cost less accumulated amortization and accumulated impairment losses, if any. Repair and maintenance costs are recognized in profit or loss as incurred.

Amortization is recognized in profit or loss over the estimated useful lives of property and equipment and is calculated using the depreciable amount, which is the cost of an asset less its residual value.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

Property and equipment are amortized over their estimated useful lives at the following rates and methods:

	Rates	Methods
Computer equipment	45% to 55%	Declining balance
Furniture and fixtures	20%	Declining balance
Leasehold improvements	20%	Declining balance

The assets' residual values, useful lives and methods of amortization are reviewed at each financial year-end and adjusted prospectively, if there is a change in any underlying estimates.

Gains or losses arising from the de-recognition of an item of property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is de-recognized.

(f) Intangible assets

Intangible assets consist of risk management software. Intangible assets purchased or acquired as part of a business combination are recorded at fair value at the acquisition date provided that they meet the criteria for recognition as explained in research and development note 3(d) and subsequently at their initial fair values less accumulated amortization and impairment. The fair value of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition is allocated to the individual assets acquired based on their fair values at the time of acquisition. Amortization methods and useful lives are reviewed at each fiscal year end and adjusted if appropriate. Intangible assets are amortized on a straight-line basis over 3 years.

(g) Leases

Leases are classified as either finance or operating leases. Leases that effectively transfer substantially all of the risks and rewards of ownership to the Corporation are finance leases and are accounted for as an acquisition of an asset and an assumption of an obligation at the inception of the lease, measured at the lower of the fair value or the present value of the minimum lease payments. Obligations recorded under finance leases are reduced by the lease payments, net of imputed interest. All other leases are accounted for as operating leases and rental payments are recorded as expenses on a straight-line basis over the term of the related lease.

(h) Foreign currency translation

Foreign currency transactions are initially recorded in the individual company's functional currency at the transaction date exchange rate. At period-end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the period-end exchange rate. All foreign currency gains or losses are recognized in profit or loss.

Financial statements of subsidiaries for which the functional currency is not the presentation currency are translated into Canadian dollars at each reporting period. All asset and liability accounts are translated at the period-end exchange rate and all revenue and expense accounts items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in Other Comprehensive Income (OCI), a component of equity. The accumulation of OCI is recognized in profit or loss on wind up of foreign subsidiaries.

(i) Financial instruments

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

All financial assets except those measured at "fair value through profit or loss" are subject to review for impairment annually and written down when there is evidence of impairment based on certain specific criteria as detailed further on.

Financial assets and financial liabilities classified as "fair value through profit or loss" are either classified as "held for trading" or "designated at fair value through profit or loss" and are measured at fair value, with changes in fair value recognized in the statement of loss and comprehensive loss. Transaction costs are expensed when incurred. The Corporation has designated cash and cash equivalents and cash held in trust as "held for trading".

(i) 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 included in current assets when they will be realized within 12 months of the reporting date, otherwise they are classified as non-current. The Corporation includes trade and other receivables, deposits and notes receivable in this category.

The financial instruments included in this category are initially recognized at fair value plus transaction costs and subsequent measurement is at amortized cost.

Financial assets are de-recognized only when the contractual rights to the cash flows from the asset expire.

(ii) Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Investments in equity instruments classified as available-for-sale are measured at cost when there is no quoted price in an active market and fair value cannot be reliably measured. The Corporation includes long-term investment in this category. The long-term investment was comprised of shares in a private company and was measured at cost.

(iii) Other financial liabilities

The financial instruments included in this category are initially recognized at fair value less transaction costs and subsequent measurement is at amortized cost. They are classified as current liabilities when they are payable within twelve months of the reporting date, otherwise they are classified as non-current. The Corporation includes trade and other payables, trust liabilities and contingent consideration payable in this category.

The Corporation derecognizes these liabilities when its obligation is discharged or replaced by a new liability with substantially modified terms.

(iv) Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Common shares, options and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, options and warrants are recognized as a deduction from equity.

(j) Share-based compensation

The Corporation uses the fair value method for valuing share-based compensation. Under this method, the compensation cost attributed to stock options and warrants granted is measured at the fair value at the grant date using the Black-Scholes model. Compensation cost for options is expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the settlement of the stock options the previously recognized value in contributed surplus is recorded as an increase to share capital.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

The Corporation measures share-based payments to non-employees at the date of receipt of the goods or services. If the fair value of the goods or services cannot be measured reliably, the value of the options or warrants granted based on the Black-Scholes model will be used.

(k) Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognized in profit or loss as a finance cost as it occurs.

(l) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flow of that asset that can be estimated reliability.

In assessing impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance against receivables.

(ii) Non-financial assets

Management assesses the carrying value of property and equipment and intangible assets at each reporting date for indications of impairment. Indications of impairment include an ongoing lack of profitability, significant change in technology, loss of a significant customer as well as economic circumstances. When an indication of impairment is present, a test for impairment is carried out by comparing whether the carrying value of the asset exceeds the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal are based on an estimate of the price the Corporation would receive upon the sale of the asset in an orderly transaction under current market conditions. For the purpose of impairment testing, cash-generating units ("CGUs") are assets that cannot be tested individually but are grouped together into the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Taxation and tax credits

The income tax provision includes current and deferred tax. This expense is recognized in profit or loss, except for income tax related to the components of other comprehensive income or equity. In these specific cases, the income tax expense is recognized in other comprehensive income or equity, respectively.

Deferred taxes are accounted for using the liability method. Under this approach, deferred tax assets and liabilities are determined based on the differences between the carrying amounts and the tax bases of assets and liabilities and are measured using the enacted or substantively enacted tax rates and laws.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized to the extent that it is probable there will be sufficient taxable profits against which to utilize the benefits in the future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax receivables and payables are obligations or claims for the current and prior periods to be paid to (or recovered from) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit which differs from net profit. This calculation was made using tax rates and laws which are enacted or substantively enacted at the end of the reporting period.

Tax credits, including research and development tax credits, are not recognized until there is reasonable assurance that the Corporation will meet the eligibility criteria of the credits and that they will be received. Tax credits are recognized as a deduction to the related expenses.

(n) Fair value measurement

A number of the Corporation's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Corporation classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The fair values of cash and cash equivalents and cash held in trust are based on Level 1 inputs and the fair value of the contingent consideration payable was based on Level 3 inputs.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(o) Per share amounts

Basic per share amounts are calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year. Diluted per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments. The Corporation computes the dilutive impact of common shares assuming the proceeds received from the pro forma exercise of in-the-money share options and warrants are used to purchase common shares at average market prices.

(p) Discontinued operations

Profit or loss attributable to operations which have been discontinued are presented separately in the consolidated financial statements of loss and comprehensive loss with specifics of the discontinuation of operations and details of the profit or loss attributable to those operations disclosed in the notes to the consolidated financial statements.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets, liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its consolidated financial statements.

(a) Areas of judgment

(i) Impairment tests

Management exercises judgment to determine whether there are factors that would indicate that an asset or a CGU is impaired. Factors considered include whether an active market exists for the output produced by the asset or group of assets, estimates of future revenues and costs, discount rates and other relevant assumptions.

(ii) Business combinations

Determining whether an acquisition should be accounted for as a business combination or represents an asset purchase requires judgment on a case by case basis, depending on management's assessment as to whether the acquisition meets the definition of a business.

(iii) Discontinued and continuing operations

Determining the split of revenue and expenses between discontinued and continuing operations requires judgment as to what revenues and expenses were earned and incurred as part of the Corporation's business which was discontinued during the year or operations which continue going forward.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS** *(continued)*

(b) Assumptions and critical estimates

(i) Stock-based compensation and warrants

The amounts recorded relating to fair value of stock options and warrants are based on estimates of future volatility in the Corporation's share price, expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of companies over the preceding period equaling the expected lives of the Corporation's options and warrants.

(ii) Impairment of property and equipment and intangible assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less disposal costs and its value in use. The fair value less disposal costs estimate is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use estimate is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the performance of the asset or CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(iii) Estimate of useful life for intangibles

Management's judgment involves the use of estimates for determining the useful life for intangibles to determine amortization methods and rates.

(iv) Contingent consideration

The valuation of the contingent consideration issued on the acquisition of shares of Vanado Inc. ("Vanado") and the acquisition of assets from Mevia Inc. (Mevia") (note 6) was recorded at fair value and was based on management's assessment of the likelihood of the performance targets being met. The associated liability was measured at fair value at each reporting date based on the likelihood of the performance targets being met.

(v) Tax assets and liabilities

Provisions for income taxes are made using the best estimate of the amount expected to be paid or recovered based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.



## 5. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(i) Accounting standards adopted in the current year

On January 1, 2016, the Corporation adopted the following new standards which became effective for years beginning on or after January 1, 2016:

IAS 1 Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. Adopting this standard did not have a material impact on the consolidated financial statements.

(ii) Future accounting pronouncements

The accounting pronouncements detailed in this note have been issued but are not yet effective. The Corporation has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

- a) IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the consolidated financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.
- b) IFRS 15 Revenue from Contracts with Customers was issued in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the corporation expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

**5. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS** *(continued)*

- c) IFRS 16 Leases was issued in January 2016 and will replace IAS 17 Leases. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). Lessee accounting will change substantially under this new standard while there is little change for the lessor. IFRS 16 eliminates the classification of leases as either operating leases or financing leases and, instead, introduces a single lessee accounting model. A lessee will be required to recognize assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and will be required to present depreciation of leased assets separately from interest on lease liabilities in the income statement. A lessor will continue to classify its leases as operating leases or financing leases, and to account for those two types of leases separately. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements.

**6. ACQUISITIONS**

**a. Acquisition of Vanado shares**

On January 1, 2015, the Corporation acquired all of the issued and outstanding shares of Vanado Inc., a specialized consulting and payment services company based in Denver, Colorado, USA, from an arm's length third party pursuant to a share purchase agreement ("SPA").

The purchase was completed through the issuance of 227,273 common shares of the Corporation with a fair value of \$2.40 per share based on the closing trading price on January 1, 2015 for total consideration of \$545,455. Additional consideration included certain post-closing payments of up to \$1 million payable on or before December 31, 2016 ("Performance Period"). These post-closing payments were to be payable in common shares of the Corporation upon the Corporation achieving certain performance thresholds related as set out in the SPA. \$500,000 of the contingent consideration was dependent on the Corporation securing US domestic automated clearinghouse processing capabilities, and the remaining contingent consideration was dependent on meeting monthly revenue targets of US \$200,000, US \$425,000 and US \$600,000 in any two consecutive months. The fair value of the contingent consideration was valued at \$738,584 at the closing date based on the likelihood of the performance thresholds being met and the estimated timing of the payments. The performance threshold related to the clearinghouse capabilities was deemed to be achieved during the year ended December 31, 2015 and, as a result, 591,366 common shares of the Corporation were issued on December 3, 2015 with a fair value of \$0.78 per share for total value of \$461,265. On September 30, 2016 a final 500,000 common shares of the Corporation were issued as part of the final post-closing payments with a fair market value of \$0.155 per share for a total value of \$77,500. The remaining contingent consideration was reduced to \$NIL on mutual termination of the Corporation's agreement with Vanado's former shareholders on September 30, 2016.

The Corporation did not acquire any assets or liabilities or obtain inputs or processes on acquisition of Vanado other than the personnel employed by Vanado. As a result, management concluded that this acquisition does not meet the definition of business combination under IFRS and represents a share-based payment. Accordingly, the Corporation has recorded the cost of acquiring Vanado as stock-based compensation in the statement of loss and comprehensive loss.

**6. ACQUISITIONS** *(continued)*

The stock-based compensation recognized upon acquisition consisted of:

	\$
Shares issued (227,273 common shares at \$2.40 each)	545,455
Contingent consideration payable based on milestones	738,584
<b>Stock-based compensation</b>	<b>1,284,039</b>

Management reviewed the probability of meeting the performance conditions and discounted future expected cash flows to record a fair value estimate of contingent consideration. This liability was reviewed each reporting period and any adjustments to this liability value were recorded through the statement of loss and comprehensive loss. There was an adjustment to increase contingent consideration by \$99,948 during the year ended December 31, 2015. A final adjustment to decrease contingent consideration by \$299,767 was made during the year ended December 31, 2016 after issuing 500,000 common shares of the Corporation with a fair market value of \$0.155 per share for a total value of \$77,500 as part of the final post-closing payment to settle the contingent consideration in full.

**b. Acquisition of assets of Mevia**

On April 30, 2015, the Corporation acquired certain assets from an arm's length third party private risk management and consulting services company, Mevia, in order to obtain the company's risk management software, pursuant to an asset purchase agreement ("APA").

The purchase was completed through the issuance of 600,000 common shares of the Corporation with a fair value of \$2.75 per share based on the closing trading price on April 30, 2015 for total consideration of \$1,650,000. Additional consideration included certain post-closing payments of up to \$3 million payable on or before April 30, 2017 ("Performance Period"). These post-closing payments were to be payable in cash or common shares of the Corporation at the option of the Corporation upon the Corporation achieving certain performance as set out in the APA. The contingent consideration was dependent on meeting monthly revenue targets of CDN \$250,000, CDN \$500,000 and CDN \$800,000 in any two consecutive months. The post-closing payments represent a provision and were measured at fair value of \$2,219,893.

The Corporation acquired only intangible assets consisting of risk management software and no other assets or liabilities were acquired as per the APA. Management concluded that this acquisition meets the definition of business combination under IFRS and determined that the acquisition fair value equates to the fair value of the assets acquired, and recorded this acquisition value as the intangible asset addition on the statement of financial position. The intangible assets acquired were measured at fair value based on Level 3 inputs at the acquisition date based on estimated discounted future cash flows.

These intangible assets were being amortized on a straight-line basis over the estimated useful life of three years.

The Intangible Assets recognized upon acquisition consisted of:

	\$
Shares issued (600,000 common shares at \$2.75 each)	1,650,000
Contingent consideration payable based on milestones	2,219,893
<b>Intangible Assets</b>	<b>3,869,893</b>

**6. ACQUISITIONS** *(continued)*

Book value of intangible assets is as follows:

	\$
Balance, December 31, 2014	-
Additions	3,869,893
Amortization	(859,976)
<b>Balance, December 31, 2015</b>	<b>3,009,917</b>
Amortization	(322,491)
Impairment (*)	(2,687,426)
<b>Balance, December 31, 2016</b>	<b>-</b>

Management reviewed the probability of meeting the performance conditions and discounted future expected cash flows to record a fair value estimate of contingent consideration. This liability has been reviewed each reporting period and any adjustments to this liability value have been adjusted through the statement of loss and comprehensive loss.

(\*) On July 5, 2016, the Corporation completed the disposition of certain assets (the "Sale Transaction") back to Mevia. The Sale Transaction involved the disposition of the Corporation's risk platform known as the "Vogogo Risk and Rules Engine". The Sale Transaction involves Mevia acquiring the above described assets and all associated liabilities therewith on an "as is, where is" basis for nominal consideration. As part of the Sale Transaction, Mevia agreed to terminate its rights to post closing payments of up to \$3 million, which were payable in cash or common shares of the Corporation, in the sole discretion of the Corporation, upon the Corporation achieving certain performance thresholds set out in the original agreement wherein the Corporation acquired the assets that are subject to the Sale Transaction. As a result, the balance of the intangible asset of \$2,687,426 was fully impaired during the year ended December 31, 2016 and contingent consideration payable of \$2,219,893 was also eliminated.

Estimated contingent consideration payable on milestones as at December 31, 2015:

	Vanado \$	Mevia \$	Total \$
Current portion	377,267	2,219,893	2,597,160
Long-term portion	-	-	-
	<b>377,267</b>	<b>2,219,893</b>	<b>2,597,160</b>

The revenues and profit or loss since the closing date of the acquisitions, and proforma revenues and profit or loss giving effect to the acquisitions as if they had occurred on January 1, 2015, are not practical to determine. The operations of the acquired assets are not managed as separate business units, and the Corporation's general business overhead and other costs are not allocated or identified on a specific asset basis. Such allocations would, accordingly, be arbitrary and would require significant assumptions and estimates concerning management's intentions and decision-making.

**7. PROPERTY AND EQUIPMENT**

	Computer Equipment \$	Furniture and Fixtures \$	Leasehold Improvements \$	Total \$
Cost				
Balance, December 31, 2014 and 2015	294,720	18,652	2,151	315,523
Disposals	(294,720)	(18,652)	(2,151)	(315,523)
<b>Balance, December 31, 2016</b>	-	-	-	-

	Computer Equipment \$	Furniture and Fixtures \$	Leasehold Improvements \$	Total \$
Accumulated amortization				
Balance, December 31, 2014	288,435	11,616	910	300,961
Amortization	3,442	1,407	248	5,097
Balance, December 31, 2015	291,877	13,023	1,158	306,058
Amortization	563	779	123	1,465
Disposals	(292,440)	(13,802)	(1,281)	(307,523)
<b>Balance, December 31, 2016</b>	-	-	-	-

	Computer Equipment \$	Furniture and Fixtures \$	Leasehold Improvements \$	Total \$
Net book value				
Balance, December 31, 2015	2,843	5,629	993	9,465
<b>Balance, December 31, 2016</b>	-	-	-	-

**8. TRUST ASSETS AND LIABILITIES**

Cash held in trust consists of cash held in bank accounts and represent amounts collected from customers of Vogogo clients which are held in trust until being paid out to clients.

**9. TRADE AND OTHER PAYABLES**

	<b>December 31, 2016 \$</b>	December 31, 2015 \$
Trade accounts payable	<b>140,486</b>	600,089
Accrued payables	<b>205,331</b>	93,364
Other	<b>445</b>	16,667
	<b>346,262</b>	710,120

Trade accounts payable are non-interest bearing and are normally settled on 30 to 60 day terms. As at December 31, 2016, the Corporation has \$248,378 (2015 - \$177,458) in accounts payable beyond 60 days.

**10. INCOME TAXES**

The income tax provision differs from the amount that would be computed by applying the statutory income tax rates to profit or loss before income taxes.

**10. INCOME TAXES** (continued)

The reconciliation of the differences is as follows:

	December 31, 2016 \$	December 31, 2015 \$
Loss before income taxes	<b>(6,025,724)</b>	(12,161,955)
Statutory income tax rate	<b>27%</b>	26%
Expected income tax recovery	<b>(1,626,945)</b>	(3,162,108)
Changes in tax assets not recognized	<b>2,191,829</b>	1,989,492
Non-deductible intangible asset acquisition	-	1,044,871
Change in value of contingent consideration	<b>(680,308)</b>	-
Stock-based compensation	<b>94,605</b>	776,888
Adjustment to prior year losses	-	(2,504)
Share issue costs	-	(340,410)
Change in rate and other	<b>20,819</b>	(306,229)
<b>Income tax recovery</b>	<b>-</b>	<b>-</b>

The net deferred tax asset is comprised of the following temporary differences:

	December 31, 2016 \$	December 31, 2015 \$
Non-capital losses	<b>(6,145,283)</b>	(4,635,257)
Property and equipment and intangible assets	-	799,152
Share issuance costs	<b>(416,026)</b>	(533,375)
Tax assets not recognized	<b>6,561,309</b>	4,369,480
<b>Deferred tax asset</b>	<b>-</b>	<b>-</b>

As at December 31, 2016, the Corporation has non-capital loss carry forwards of approximately \$22,760,000 (2015 - \$17,168,000). The non-capital loss carry forwards expire at various dates from 2031 to 2036. The Corporation also has tax deductible balances of \$1,540,000 (2015 - \$1,975,000) at December 31, 2016, relating to share issuance costs, which have not been recognized on the consolidated statement of financial position.

## 11. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Preferred Shares without nominal or par value and an unlimited number of Common Shares without nominal or par value. The Corporation has the following Common Shares issued and outstanding:

	Number of Shares #	Share Capital \$
Balance, December 31, 2014	39,574,791	14,934,913
Shares issued on acquisition of Vanado (i) (note 6(a))	818,639	1,006,720
Shares issued on exercise of stock options (ii)	837,416	457,048
Fair value on exercise of stock options (ii)	-	374,104
Shares issued on exercise of warrants (iii)	1,625,564	612,714
Fair value on exercise of warrants (iii)	-	646,555
Shares issued on acquisition of assets from Mevia (iv) (note 6(b))	600,000	1,650,000
Shares issued through short form prospectus (v)	5,566,000	12,523,500
Share issue costs – Underwriters fees (v)	-	(876,645)
Share issue costs – Legal and other (v)	-	(384,131)
<b>Balance, December 31, 2015</b>	<b>49,022,410</b>	<b>30,944,778</b>
Repurchase of shares (vi)	(2,000,000)	(130,000)
Fair value adjustment of repurchase of shares (vi)	-	(1,132,475)
Repurchase of shares (vii)	(2,300,000)	(149,500)
Fair value adjustment of repurchase of shares (vii)	-	(1,302,346)
Issue of shares related to acquisition of Vanado (viii) (note 6(a))	500,000	77,500
Issue of shares on private placement (ix)	27,272,727	3,000,000
Share issue costs – Legal and other (ix)	-	(85,832)
<b>Balance, December 31, 2016</b>	<b>72,495,137</b>	<b>31,222,125</b>

- (i) On January 1, 2015, the Corporation acquired all the issued and outstanding shares of Vanado by issuing 227,273 common shares of the Corporation at a fair value of \$2.40 per share. On December 3, 2015, 591,366 additional shares were issued at a fair value of \$0.78 on achieving one of the performance thresholds (note 6(a)).
- (ii) On February 23, 2015, 100,000 stock options were exercised at a price of \$0.75 per stock option for total proceeds of \$75,000. On March 2, 2015, 20,000 stock options were exercised at a price of \$0.33 per stock option for total proceeds of \$6,600. On March 12, 2015, 25,000 stock options were exercised at a price of \$0.75 per stock option for total proceeds of \$18,750. On March 12, 2015, 37,500 stock options were exercised at a price of \$0.33 per stock option for total proceeds of \$12,375. On March 30, 2015, 10,000 stock options were exercised at a price of \$0.52 per stock option for total proceeds of \$5,200. On April 9, 2015, 152,100 stock options were exercised at a price of \$0.52 per stock option for total proceeds of \$79,092. On April 16, 2015, 200,000 stock options were exercised at a price of \$0.52 per stock option for total proceeds of \$104,000. On April 20, 2015, 37,900 stock options were exercised at a price of \$0.52 per stock option for total proceeds of \$19,708. On May 5, 2015, 73,250 stock options were exercised at a price of \$0.33 per stock option for total proceeds of \$24,173. On May 8, 2015, 100,000 stock options were exercised at a price of \$0.75 per stock option for total proceeds of \$75,000. On July 13, 2015, 15,000 stock options were exercised at a price of \$0.33 per stock option for total proceeds of \$4,950. On September 11, 2015, 60,000 stock options were exercised at a price of \$0.50 per stock option for total proceeds of \$30,000. On December 1, 2015, 6,666 stock options were exercised at a price of \$0.33 per stock option for total proceeds of \$2,200. The initial fair value of these stock options of \$374,104 was transferred from contributed surplus to share capital on exercise of these options.

## 11. SHARE CAPITAL (continued)

- (iii) On March 20, 2015, 16,333 Finders Warrants were exercised at a price of \$0.75 per warrant for total proceeds of \$12,250. On March 30, 2015, 100,000 Finders Warrants were exercised at a price of \$0.75 per warrant for total proceeds of \$75,000. On May 6, 2015, 144,231 share purchase warrants were exercised at a price of \$0.52 per warrant for a total proceeds of \$75,000. On July 3, 2015, 606,666 share purchase warrants were exercised at a price of \$0.33 per warrant for a total proceeds of \$200,214. On December 8, 2015, 758,334 share purchase warrants were exercised at a price of \$0.33 per warrant for total proceeds of \$250,250. The initial fair value of these warrants of \$646,555 was transferred from warrants to share capital on exercise of the warrants.
- (iv) On April 30, 2015, the Corporation acquired certain assets of Mevia (note 6(b)) by issuing 600,000 common shares of the Corporation at a price of \$2.75 per share.
- (v) On June 16, 2015, the Corporation completed a short form prospectus offering and issued a total of 5,566,000 common shares of the Corporation at an offering price of \$2.25 per common share for total gross proceeds of \$12,523,500. Underwriters' fees of 7% totaling \$876,645 were paid in connection with the prospectus. In addition, legal and other share issue costs of \$384,131 were incurred.
- (vi) On July 6, 2016, the Corporation repurchased 2 million common shares of the Corporation for cancellation from a corporation controlled by the former President and CEO of the Corporation for \$0.065 per share. Consideration for this share re-purchase was used to settle the note receivable from this corporation (note 15(b)), with the balance settled in cash. These 2 million shares were immediately cancelled on re-purchase. The weighted average carrying value of the share capital as at the date of the buy-back was calculated at \$0.6312 per share, resulting in a discount of \$0.5662 per common share. The resulting discount of \$1,132,475 was credited to contributed surplus.
- (vii) On August 18, 2016, the Corporation repurchased 2.3 million common shares of the Corporation for cancellation from a company controlled by the former Chief Revenue Officer ("CRO") of the Corporation for \$0.065 per share. Consideration for this share repurchase was used to settle the note receivable from this corporation (note 15(b)), with the balance to be settled in cash. These 2.3 million shares were immediately cancelled on re-purchase. The weighted average carrying value of the share capital as at the date of the buy-back was calculated at \$0.6312 per share, resulting in a discount of \$0.5662 per common share. The resulting discount of \$1,302,346 was credited to contributed surplus.
- (viii) On September 30, 2016, 500,000 additional common shares were issued at a fair market value of \$0.155 as part of the final post-closing payment to settle the contingent consideration related to the acquisition of Vanado.
- (ix) On October 3, 2016, the Corporation closed a non-brokered private placement ("Offering"). Pursuant to the Offering, the Corporation issued a total of 27,272,727 common shares at \$0.11 per share for aggregate gross proceeds of \$3,000,000. Legal and other share issue costs of \$85,832 were incurred.

The weighted average number of common shares outstanding and used to calculate basic and diluted loss per share is 53,740,865 for the year ended December 31, 2016 (2015 – 44,377,073). The Corporation excluded all stock options and warrants from the calculation of diluted loss per share for the years ended December 31, 2016 and 2015 as they would be anti-dilutive.

As at December 31, 2016, a total of Nil common shares (2015 – 3,272,116) were held in escrow pursuant to TSXV requirements. The final shares were released from escrow on March 11, 2016.

## 12. CONTRIBUTED SURPLUS AND WARRANTS

The contributed surplus and warrants reserve is used to recognize the fair value of stock options and warrants granted. When options and warrants are subsequently exercised, the fair value of such options in contributed surplus and warrants is credited to share capital. Refer to note 13 for further details on these plans.



**12. CONTRIBUTED SURPLUS AND WARRANTS** (continued)

Contributed Surplus		\$
Balance, December 31, 2014		1,117,616
Stock-based compensation expense, continuing operations		241,708
Stock-based compensation expense, discontinued operations (note 20)		1,362,335
Exercise of stock options		(374,104)
<b>Balance, December 31, 2015</b>		<b>2,347,555</b>
Stock-based compensation expense, continuing operations		281,673
Stock-based compensation expense, discontinued operations (note 20)		68,725
Expiry of warrants		146,538
Fair value adjustment of repurchase of shares (Note 11(vi))		1,132,475
Fair value adjustment of repurchase of shares (Note 11(vii))		1,302,346
<b>Balance, December 31, 2016</b>		<b>5,279,312</b>
Warrants		\$
Balance, December 31, 2014		1,196,919
Exercise of warrants		(646,555)
<b>Balance, December 31, 2015</b>		<b>550,364</b>
Expiry of warrants		(146,538)
<b>Balance, December 31, 2016</b>		<b>403,826</b>

**13. STOCK-BASED COMPENSATION AND WARRANTS**

The Corporation has a stock option plan ("the Plan") under which the Board of Directors of the Corporation may grant to directors, officers, employees and technical consultants to the Corporation non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant. During the year ended December 31, 2016, the Corporation issued 5,465,000 options (2015 - 1,915,000) at exercise prices ranging from \$0.16 to \$0.60 (2015 - \$0.85 to \$2.83). All of the options vest over three years, except for Nil options (2015 - 95,000) that have accelerated vesting provisions.

A summary of the Plan transactions for the years ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at beginning of year	4,435,083	1.05	3,732,500	0.72
Options granted	5,465,000	0.17	1,915,000	1.54
Options cancelled / forfeited	(3,840,083)	1.08	(375,001)	1.44
Options exercised during the year	-	-	(837,416)	0.55
<b>Outstanding at end of year</b>	<b>6,060,000</b>	<b>0.24</b>	<b>4,435,083</b>	<b>1.05</b>

**13. STOCK-BASED COMPENSATION AND WARRANTS** (continued)

The weighted average market price on the date of exercise for options exercised during the year ended December 31, 2015 was \$2.87.

The following provides a summary of options outstanding and exercisable as at December 31, 2016:

Options outstanding			Options exercisable		
Outstanding at December 31, 2016	Weighted average remaining contractual life	Weighted average exercise price \$	Number exercisable at December 31, 2016	Weighted average remaining contractual life	Weighted average exercise price \$
6,060,000	4.61 years	0.24	586,667	2.87 years	0.72

The fair value of each share-based payment transaction was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Fair value of options	<b>\$0.16 to \$0.60</b>	\$0.65 to \$2.42
Exercise price	<b>\$0.17</b>	\$1.54
Share price	<b>\$0.17</b>	\$1.54
Dividend yield	<b>0%</b>	0%
Forfeiture %	<b>0.72%</b>	3.9%
Risk-free interest rate	<b>1.22%</b>	0.80%
Expected life of options	<b>5 years</b>	5 years
Expected volatility	<b>149%</b>	125%

The forfeiture rate has been estimated based on past experience.

The Corporation recorded stock-based compensation expense for options of \$350,398 (2015 - \$1,604,043) with an offsetting increase to contributed surplus in respect of the stock options granted during the year ended December 31, 2015. No (2015 - 837,416) stock options were exercised during the year and as a result \$Nil (2015 - \$374,104) was transferred to share capital from contributed surplus.

The Corporation issued 2,275,000 agent warrants as compensation to agents in connection with convertible debenture issuances during the year ended December 31, 2014. Each agent warrant is exercisable for one common share of the Corporation at \$0.33 per common share for a period of 5 years from the issuance date. The fair value of the agent warrants was calculated to be \$964,709 using the Black-Scholes option pricing model. 758,334 of these warrants were issued to an entity related by common officers and directors. 910,000 of these agent warrants were outstanding at December 31, 2015 and 2016.

The Corporation issued 768,002 share purchase warrants during the year ended December 31, 2014 as part of a unit offering. Each share purchase warrant is exercisable for one common share of the Corporation at \$0.52 per common share for a period of 3 years from the issuance date. The fair value of the share purchase warrants was calculated to be \$95,662 using the Black-Scholes option pricing model. 144,231 of these share purchase warrants were outstanding at December 31, 2015 and 2016.

The Corporation issued 793,332 finders warrants during the year ended December 31, 2014 in connection with the brokered and non-brokered private placement. Each finders warrant was exercisable for one common share of the Corporation at \$0.75 per common share for a period of 24 months from the date of closing of the Qualifying Transaction. The fair value of the finders warrants was calculated to be \$339,208 using the Black-Scholes option pricing model. 342,720 of these share purchase warrants were outstanding at December 31, 2015 and expired during the year ended December 31, 2016.

**13. STOCK-BASED COMPENSATION AND WARRANTS** (continued)

A summary of warrant transactions for the year ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding at beginning of period	1,396,951	0.45	3,022,515	0.41
Warrants expired	(342,720)	0.75	-	-
Warrants exercised	-	-	(1,625,564)	0.38
Outstanding at end of period	<u>1,054,231</u>	<u>0.36</u>	<u>1,396,951</u>	<u>0.45</u>

The following provides a summary of warrants outstanding as at December 31, 2016:

Warrants outstanding		
Outstanding at December 31, 2016	Weighted average remaining contractual life	Weighted average exercise price \$
1,054,231	1.87 years	\$0.36

**14. INTEREST INCOME**

Interest income (expense) consists of the following:

	2016 \$	2015 \$
Interest income	64,803	74,660
Interest and bank charges	(33,691)	(34,441)
	<u>31,112</u>	<u>40,219</u>

**15. RELATED PARTY TRANSACTIONS**

(a) The Corporation considers its key management personnel to be its Chief Executive Officer, Chief Revenue Officer, Chief Financial Officer, Chief Operating Officer and Chief Technology Officer. Key management compensation is composed of salary and benefits severance, stock based compensation and consulting fees paid to key management and companies controlled by key management. During the year ended December 31, 2016, key management compensation amounted to \$1,660,846 (2015 - \$2,142,049), split between general and administrative, sales and marketing, development and operations, and stock-based compensation expenses, based on work performed. Key management salaries of \$1,415,056 (2015 - \$1,927,549) have been included in discontinued operations (note 20) and \$245,790 (2015 - \$214,500) has been included in general and administrative expenses.

Total personnel expenses for employees, consultants, directors and management included in expenses in the consolidated statement of loss and comprehensive loss total \$4,094,280 (2015 - \$7,591,175) for the year ended December 31, 2016, split between general and administrative, sales and marketing, development and operations expenses, based on work performed. Total personnel expenses of \$3,848,490 (2015 - \$7,376,675) have been included in discontinued operations (note 20) and \$245,790 (2015 - \$214,500) has been included in general and administrative expenses.

## 15. RELATED PARTY TRANSACTIONS

- (b) On April 28, 2014, the Corporation provided loans to two companies controlled by two key management personnel for \$75,000 each for a total of \$150,000. These companies provided promissory notes to the Corporation. These two loans bore interest at 3 percent per annum and were originally due April 28, 2015. The loan agreements were amended to extend the maturity date to April 28, 2017. These promissory notes were repaid in full during the year (notes 11(vi) and (vii)).
- (c) As at December 31, 2016, the Corporation had \$245,082 (2015 - \$Nil) in trade and other payables owing to former key management personnel.

## 16. COMMITMENTS AND CONTINGENCIES

- (a) Commitments

The Corporation is committed under leases on its Calgary office space, expiring July 31, 2017, for gross future minimum rental payments exclusive of occupancy costs as follows:

	Calgary \$	Total \$
2017	46,046	46,046
	<b>46,046</b>	<b>46,046</b>

During the year ended December 31, 2016, the Corporation entered into an agreement to sublease out its office space for the remaining lease term, expiring July 31, 2017. Sublease receipts of \$32,046 are expected, resulting in expected net lease outflows of \$14,000 during 2017.

- (b) Contingencies

In December 2014, a statement of claim was filed in the Alberta Court of Queen's Bench by a company controlled by the previous Chief Technology Officer of the Corporation. The claim alleges a breach of certain provisions of the *Business Corporations Act* (Alberta) by the Corporation in connection with a February 2014 repurchase of certain Common shares of the Corporation previously held by the company. The claim seeks damages in an amount in excess of \$15,000,000.

Subsequent to December 31, 2016, an application by the above noted company, seeking summary judgment was dismissed by the Court of Queen's Bench. The company has not filed an appeal. The Corporation has been advised that the company now seeks to amend its pleadings to include a claim for oppression.

The Corporation believes that these claims are without merit and litigation counsel has been authorized and instructed to vigorously defend against the claims and, accordingly, the Corporation has not accrued a provision relating to the claim.

## 17. CAPITAL MANAGEMENT

The Corporation optimizes its capital structure with a view to ensuring a strong financial position to support its operations and growth strategies. The Corporation's capital structure is made up of share capital, warrants, contributed surplus, accumulated other comprehensive income and deficit as equity components. The Corporation strives to maximize the value associated with its capital. In order to maintain or adjust its capital structure, the Corporation may from time to time issue shares and adjust its spending.

	December 31, 2016 \$	December 31, 2015 \$
Share capital	31,222,125	30,944,778
Warrants	403,826	550,364
Contributed surplus	5,279,312	2,347,555
Accumulated other comprehensive income	-	17,561
Deficit	(29,293,110)	(23,267,386)
<b>Total capital</b>	<b>7,612,153</b>	<b>10,592,872</b>

**17. CAPITAL MANAGEMENT** *(continued)*

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remained unchanged during the years presented.

**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Corporation's risk management policies are established to identify, analyze and manage the risks faced by the Corporation and to implement appropriate procedures to monitor risks in adherence with established controls. Risk management policies and systems are reviewed periodically in response to the Corporation's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Corporation's use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them, include:

(a) Fair value

Due to the short-term nature of trade and other receivables, notes receivable, deposits, trade and other payables and trust liabilities, the Corporation determined that the carrying amounts of these financial instruments approximate their fair value. Long-term investment consisted of common shares held in a private corporation. The Corporation determined that the fair value of these common shares could not be reliably determined and as such the long-term investment was carried at cost.

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions, trade and other receivables, deposits and notes receivable. The maximum exposure to credit risk is equal to the carrying value of the Corporation's cash and cash equivalents, cash held in trust, trade and other receivables, deposits and notes receivable.

The Corporation minimizes credit risk associated with its cash balance substantially by dealing with major financial institutions in Canada, the United States and the United Kingdom. Trade and other receivables consist primarily of accrued interest receivable on the guaranteed investment certificates issued by the Corporation's Canadian bank. The notes receivable were due from key management personnel and the Corporation minimized the associated credit risk by monitoring the amount receivable and the financial position of the debtors.

Approximately 73% of the Corporation's revenue during the year ended December 31, 2016 (2015 - 51%) was generated from 4 (2015 - 3) customers.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they come due. As at December 31, 2016, the Corporation has cash and cash equivalents of \$7,908,963 (2015 - \$10,489,615) and has a positive net working capital position of \$7,612,153 (2015 - \$7,428,490) in order to manage liquidity risk. Trade and other payables and trust liabilities are expected to be paid in the next year.

**18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

(d) Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies, other than the functional currency of the Corporation, will fluctuate due to changes in foreign currency exchange rates. As at December 31, 2016, the Corporation's exposure to currency risk is limited to cash and cash equivalents denominated in US \$274,565 (2015 - US \$338,718); GBP Nil (2015 – GBP 389,938) and trade and other payables denominated in US \$Nil (2015 - US \$296,774); GBP Nil (2015 – GBP 7,644) and trade and other receivables denominated in US \$Nil (2015 – US \$11,382); Euro Nil (2015 – Euro 2,697). A 1% change in the exchange rate between the Canadian and US dollar, GBP and Euro would have a trivial impact on the net income and cash flows of the Corporation for the years ended December 31, 2016 and 2015.

(e) Interest rate risk

Interest rate risk is the risk that the fair value and cash flows associated with the Corporation's interest bearing financial assets and liabilities will fluctuate due to changes in market interest rates. As at December 31, 2016 and 2015, the Corporation is not exposed to any interest rate cash flow risk.

**19. SEGMENTED INFORMATION**

The Corporation has one operating segment serving all geographic locations. Substantially all of the Corporation's revenues are generated in Canada. Substantially all of the Corporation's assets are located in Canada.

**20. DISCONTINUED OPERATIONS**

During the year ended December 31, 2016, the Corporation formed a special committee of members from its board of directors to consider strategic alternatives to its previous operations. As a result, the Corporation discontinued its payment processing and risk management businesses and is currently pursuing alternative business opportunities. As such, the Corporation's loss and comprehensive loss and cash flows have been split between continuing and discontinued operations.

**20. DISCONTINUED OPERATIONS** *(continued)*

Details of the Corporation's discontinued operations are as follows:

	<b>December 31 2016 \$</b>	December 31 2015 \$
<b>REVENUE</b>	<b>675,147</b>	142,195
<b>EXPENSES</b>		
General and administrative	1,753,309	2,520,640
Sales and marketing	1,076,218	1,559,967
Development and operations	1,887,909	3,798,355
Stock-based compensation (notes 6(a) and 12)	68,725	2,646,374
Amortization – property and equipment (note 7)	1,465	5,097
Amortization – intangible assets (note 6(b))	322,491	859,976
	<b>5,110,117</b>	11,390,409
Loss from discontinued operations	<b>(4,434,970)</b>	(11,248,214)
Foreign exchange gain	6,817	18,420
Loss on impairment of intangible assets (note 6(b))	<b>(2,687,426)</b>	-
Loss on impairment of long-term investment	<b>(145,000)</b>	-
Loss on wind down of subsidiaries and elimination of foreign exchange related accumulated other comprehensive income	<b>(432,729)</b>	-
Interest and bank charge expenses (note 14)	<b>(33,691)</b>	(34,441)
Changes in fair value on contingent consideration payable (note 6)	<b>2,519,660</b>	(99,948)
<b>Net loss from discontinued operations</b>	<b>(5,207,339)</b>	(11,364,183)
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange gain (loss) on translation of foreign operations	<b>(17,561)</b>	17,561
<b>Comprehensive loss from discontinued operations</b>	<b>(5,224,900)</b>	(11,346,622)