Vogogo Inc.

Condensed Interim Consolidated Financial Statements

(in Canadian dollars)
(unaudited)
For the three months ended March 31, 2017 and 2016

	March 31 2017 $	December 31 2016 $
ASSETS		
Current assets:		
Cash and cash equivalents (note 11)	**7,570,007**	7,908,963
Cash held in trust (note 6)	**140,128**	190,141
Trade and other receivables	**40,247**	22,262
Prepaid expenses and deposits	**23,521**	27,190
Total assets	**7,773,903**	8,148,556
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Trade and other payables (notes 7, 12(c) and 13(b))	**641,905**	346,262
Trust liabilities (note 6)	**140,128**	190,141
Total liabilities	**782,033**	536,403
Shareholders' Equity		
Share capital (note 8)	**31,222,125**	31,222,125
Warrants (note 9)	**403,826**	403,826
Contributed surplus (note 9)	**5,407,742**	5,279,312
Deficit	**(30,041,823)**	(29,293,110)
Total shareholders' equity	**6,991,870**	7,612,153
Total liabilities and shareholders' equity	**7,773,903**	8,148,556

Commitments and contingencies (note 13)
Subsequent events (notes 13(b) and 18)

Approved on behalf of the Board

(signed) "*Dale Johnson*"
Chairman and Director

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

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

	March 31 2017 $	March 31 2016 $
EXPENSES		
General and administrative (note 13(b))	**626,128**	172,426
Stock-based compensation (note 9)	**128,430**	142,725
Total Expenses	**754,558**	315,151
OTHER INCOME		
Foreign exchange loss	**(5,193)**	(2,765)
Interest income, net (note 11)	**11,038**	20,708
Loss from continuing operations	**(748,713)**	(297,208)
Loss from discontinued operations (note 17)	**-**	(2,057,012)
Loss	**(748,713)**	(2,354,220)
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange gain (loss) on translation of foreign operations related to discontinued operations (note 17)	**-**	(112,083)
Loss and comprehensive loss	**(748,713)**	(2,466,303)
Loss per share from continuing operations - basic and diluted (note 8)	**(0.01)**	(0.01)
Loss per share from discontinued operations - basic and diluted (note 8)	**(0.00)**	(0.04)

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

	Share Capital $	Warrants $	Contributed Surplus $	Accumulated Other Comprehensive Income (Loss) $	Deficit $	Total $
Balance, December 31, 2015	30,944,778	550,364	2,347,555	17,561	(23,267,386)	10,592,872
Share-based compensation (note 9)	-	-	360,488	-	-	360,488
Loss and comprehensive loss	-	-	-	(112,083)	(2,354,220)	(2,466,303)
Balance, March 31, 2016	30,944,778	550,364	2,708,043	(94,522)	(25,621,606)	8,487,057
Balance, December 31, 2016	31,222,125	403,826	5,279,312	-	(29,293,110)	7,612,153
Share-based compensation (note 9)	-	-	128,430	-	-	128,430
Loss and comprehensive loss	-	-	-	-	(748,713)	(748,713)
Balance, March 31, 2017	31,222,125	403,826	5,407,742	-	(30,041,823)	6,991,870

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

	March 31 2017 $	March 31 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	**(748,713)**	(297,208)
Add back (deduct) items not involving cash:		
Stock-based compensation (note 9)	**128,430**	142,725
	(620,283)	(154,483)
Changes in non-cash working capital items:		
Trade and other receivables	**(17,985)**	-
Prepaid expenses and deposits	**3,669**	-
Trade and other payables	**295,643**	-
Net cash flows used in continuing operations	**(338,956)**	(154,483)
Net cash flows used in discontinued operations	**-**	(1,813,518)
Net cash used in operating activities	**(338,956)**	(1,968,001)
Effect of changes in foreign exchange rates on cash held in foreign currencies related to discontinued operations	**-**	(95,076)
Net decrease in cash and cash equivalents for the period	**(338,956)**	(2,063,077)
Cash and cash equivalents, beginning of the period	**7,908,963**	10,489,615
Cash and cash equivalents, end of the period	**7,570,007**	8,426,538
Supplemental cash flow information:		
Interest paid relating to discontinued operations	**-**	12,360
Cash and cash equivalents consists of the following:		
Cash held in banks	**219,682**	1,876,539
Guaranteed investment certificates (note 11)	**7,350,325**	6,549,999
	7,570,007	8,426,538

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

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

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”), as issued by the IASB. Accordingly, certain financial information and disclosures normally included in annual financial statements prepared in accordance with IFRS as issued by the IASB have been omitted or condensed.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 23, 2017.

(b) Basis of measurement and preparation

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

The condensed interim consolidated financial statements have been prepared under the historical cost basis, except as noted.

General and administrative, sales and marketing, and development and operations expenses are presented on a functional basis. Stock-based compensation and amortization are presented on a separate line by their nature. Significant expenses such as personnel expenses are presented by their nature in the notes to the condensed interim consolidated financial statements.

(c) Functional and presentation currency

These condensed interim 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”).

2. BASIS OF PRESENTATION *(continued)*

(d) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany transactions and balances have been eliminated in these condensed interim 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 condensed interim 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 adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Corporation's annual consolidated financial statements for the year ended December 31, 2016. Because the disclosures provided in these condensed interim consolidated financial statements do not conform in all respects with IFRS for annual consolidated financial statements, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016.

There were no new accounting standards, interpretations or amendments to existing standards adopted during the three months ended March 31, 2017 that would be expected to have a significant impact on the Corporation's condensed interim consolidated financial statements. There were no new accounting standards, interpretations or amendments issued during the three months ended March 31, 2017 that are applicable to the Corporation in future periods. Further, the Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim consolidated financial statements in conformity with IFRS 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 condensed interim 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.

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

(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 or operations, which continue going forward.

(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 5) 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. 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 payment consulting 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.

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
Stock-based compensation	**1,284,039**

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.

5. ACQUISITIONS *(continued)*

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 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
Intangible Assets	**3,869,893**

Book value of intangible assets is as follows:

	$
Balance, December 31, 2014	-
Additions	3,869,893
Amortization	(859,976)
Balance, December 31, 2015	**3,009,917**
Amortization	(322,491)
Impairment (*)	(2,687,426)
Balance, December 31, 2016 and March 31, 2017	**-**

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.

5. ACQUISITIONS *(continued)*

(*) 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.

6. TRUST ASSETS AND LIABILITIES

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

7. TRADE AND OTHER PAYABLES

	March 31, 2017 $	December 31, 2016 $
Trade accounts payable	**634,905**	140,486
Accrued payables	**7,000**	205,331
Other	**-**	445
	641,905	346,262

Trade accounts payable are non-interest bearing and are normally settled on 30 to 60 day terms. As at March 31, 2017, the Corporation has $117,144 (December 31, 2015 - $248,378) in accounts payable beyond 60 days.

8. 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, 2015	49,022,410	30,944,778
Repurchase of shares (i)	(2,000,000)	(130,000)
Fair value adjustment of repurchase of shares (i)	-	(1,132,475)
Repurchase of shares (ii)	(2,300,000)	(149,500)
Fair value adjustment of repurchase of shares (ii)	-	(1,302,346)
Issue of shares related to acquisition of Vanado (iii) (note 5(a))	500,000	77,500
Issue of shares on private placement (iv)	27,272,727	3,000,000
Share issue costs - Legal and other (iv)	-	(85,832)
Balance, December 31, 2016 and March 31, 2017	**72,495,137**	**31,222,125**

8. SHARE CAPITAL *(continued)*

(i) 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 12(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.

(ii) 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 12(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.

(iii) 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.

(iv) 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 72,495,137 for the three months ended March 31, 2017 (2016 - 49,022,410). The Corporation excluded all stock options and warrants from the calculation of diluted loss per share for the three months ended March 31, 2017 and 2016 as they would be anti-dilutive.

9. 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 10 for further details on these plans.

Contributed Surplus

	$
Balance, December 31, 2015	2,347,555
Stock-based compensation expense	360,488
Balance, March 31, 2016	2,708,043
Balance, December 31, 2016	5,279,312
Stock-based compensation expense	128,430
Balance, March 31, 2017	**5,407,742**

Warrants

	$
Balance, December 31, 2015 and March 31, 2016	550,364
Balance, December 31, 2016 and March 31, 2017	**403,826**

10. 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.

A summary of the Plan transactions for the three months ended March 31, 2017 and year ended December 31, 2016 are as follows:

	For the three months ended March 31, 2017		For the year ended December 31, 2016	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at beginning of period	6,060,000	0.24	4,435,083	1.05
Options granted	-	-	5,465,000	0.17
Options cancelled / forfeited	-	-	(3,840,083)	1.08
Outstanding at end of period	6,060,000	0.24	6,060,000	0.24

The following provides a summary of options outstanding and exercisable as at March 31, 2017:

Options outstanding			Options exercisable		
Outstanding at March 31, 2017	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable March 31, 2017	Weighted average remaining contractual life	Weighted average exercise price $
6,060,000	4.36 years	0.24	496,667	2.76 years	0.80

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 three months ended March 31, 2017	For the year ended December 31, 2016
Fair value of options	-	$0.16 to $0.60
Exercise price	-	$0.17
Share price	-	$0.17
Dividend yield	-	0%
Forfeiture %	-	0.72%
Risk-free interest rate	-	1.22%
Expected life of options	-	5 years
Expected volatility	-	149%

The forfeiture rate has been estimated based on past experience.

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

A summary of warrant transactions for the three months ended March 31, 2017 and year ended December 31, 2016 is as follows:

		For the three months ended March 31, 2017		For the year ended December 31, 2016
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Outstanding at beginning of period	1,054,231	0.36	1,396,951	0.45
Warrants expired	-	-	(342,720)	0.75
Outstanding at end of period	1,054,231	0.36	1,054,231	0.36

The following provides a summary of warrants outstanding as at March 31, 2017:

Warrants outstanding and exercisable		
Outstanding at March 31, 2017	Weighted average remaining contractual life	Weighted average exercise price $
1,054,231	1.62 years	$0.36

11. INTEREST

Interest income (expense) consists of the following:

	For the three months ended March 31, 2017 $	For the three months ended March 31, 2016 $
Interest income	**12,810**	20,708
Interest and bank charges	**(1,772)**	(12,360)
	11,038	8,348

Cash and cash equivalents includes redeemable and non-redeemable guaranteed investment certificates of $7,350,325 (December 31, 2016 - $7,550,325) bearing interest at an average rate of 0.70% (December 31, 2016 - 0.70%) and maturing between April and October 2017 (December 31, 2016 - April and October 2017).

12. RELATED PARTY TRANSACTIONS

(a) The Corporation currently considers its key management personnel to be its Chief Executive Officer. Prior to discontinuing operations, key management personnel also included the Chief Revenue Officer, Chief Financial Officer, Chief Operating Officer and Chief Technology Officer. Key management compensation is composed of salary, benefits, severance, stock-based compensation and consulting fees paid to key management and companies controlled by key management. During the three months ended March 31 2017, key management compensation amounted to $155,267 (2016 - $374,045), split between discontinued operations, general and administrative and stock-based compensation expenses, based on work performed. Key management salaries of $Nil (2016 - $181,320) have been included in discontinued operations (note 17), $39,948 (2016 - $50,000) has been included in general and administrative expenses and $115,319 (2016 - $142,725) has been included in stock-based compensation.

Total personnel expenses for employees, consultants, directors and management included in expenses in the consolidated statement of loss and comprehensive loss total $61,925 (2016 - $1,610,697) for the three months ended March 31, 2017, split between discontinued operations and general and administrative expenses, based on work performed. Total personnel expenses of $Nil (2016 - $1,527,097) have been included in discontinued operations (note 17) and $61,925 (2016 - $83,600) has been included in general and administrative expenses.

(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 2016 (notes 8 (i) and (ii)).

(c) As at March 31, 2017, the Corporation had $69,751 (December 31, 2016 - $245,082) in trade and other payables owing to former key management personnel.

13. 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:

	$
2017	26,312
	26,312

During the year ended December 31, 2016, the Corporation entered into an agreement to sublease its office space for the remaining lease term, expiring July 31, 2017. Sublease receipts of $19,448 are expected, resulting in expected net lease outflows of $6,864 during the remaining lease term.

(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 sought damages in an amount in excess of $15,000,000.

Subsequent to March 31, 2017, the Corporation entered into a settlement agreement with respect to the above claim such that the claim is no longer outstanding. The settlement amount is included in general and administrative expenses for the three months ended March 31, 2017 and is included in trade and other payables at March 31, 2017. The terms of the settlement are confidential.

14. 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, 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.

	March 31, 2017 $	December 31, 2016 $
Share capital	**31,222,125**	**31,222,125**
Warrants	**403,826**	**403,826**
Contributed surplus	**5,407,742**	**5,279,312**
Deficit	**(30,041,823)**	**(29,293,110)**
Total capital	**6,991,870**	**7,612,153**

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management has not changed during the quarter ended March 31, 2017.

15. 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, deposits, trade and other payables and trust liabilities, the Corporation determined that the carrying amounts of these financial instruments approximate their fair value.

(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 and deposits.

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 are due from key management personnel and the Corporation minimizes the associated credit risk by monitoring the amount receivable and the financial position of the debtors.

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

Approximately Nil% of the Corporation's revenue during the three months ended March 31, 2017 (2016 - 71%) was generated from Nil (2016 - 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 March 31, 2017, the Corporation has cash and cash equivalents of $7,570,007 (December 31, 2016 - $7,908,963) and has a positive net working capital position of $6,991,870 (December 31, 2016 - $7,612,153) in order to manage liquidity risk. Trade and other payables and trust liabilities are expected to be paid in the next year.

(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 March 31, 2017, the Corporation's exposure to currency risk is limited to cash and cash equivalents denominated in US $173,916 (December 31, 2016 - US $274,565). A 1% change in the exchange rate between the Canadian and US dollar would have trivial impact on the net income and cash flows of the Corporation.

(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 March 31, 2017, the Corporation is not exposed to interest rate cash flow risk.

16. 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.

17. 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.

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

	Three months ended March 31, 2017 $	Three months ended March 31, 2016 $
REVENUE	-	164,452
EXPENSES		
General and administrative	-	535,613
Sales and marketing	-	319,766
Development and operations	-	812,751
Stock-based compensation (notes 5(a) and 9)	-	217,763
Amortization – property and equipment	-	720
Amortization – intangible assets	-	322,491
	-	2,209,104
Loss from discontinued operations	-	(2,044,652)
Interest and bank charge expenses (note 11)	-	(12,360)
Net loss from discontinued operations	-	(2,057,012)
OTHER COMPREHENSIVE INCOME		
Exchange gain (loss) on translation of foreign operations	-	(112,083)
Comprehensive loss from discontinued operations	-	(2,169,095)

18. SUBSEQUENT EVENTS

(a) Subsequent to March 31, 2017, 144,231 share purchase warrants with an exercise price of $0.52 expired.

(b) Subsequent to March 31, 2017, 230,000 stock options with an average exercise price of $0.42 expired.