

ICESoft Technologies Canada Corp.

(formerly ICESoft Technologies, Inc.)

Consolidated Financial Statements

(in Canadian Dollars)

For the years ended December 31, 2015 and 2014

Management's Responsibility

To the Shareholders of ICEsoft Technologies Canada Corp.:

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 the 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 7, 2016

"Brian McKinney"

Brian McKinney
President and CEO

"David Gordon"

David Gordon
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ICESoft Technologies Canada Corp.
(formerly ICESoft Technologies, Inc.)

We have audited the accompanying consolidated financial statements of ICESoft Technologies Canada Corp. (formerly ICESoft Technologies, Inc.) and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' deficiency and consolidated statements of cash flows for the years ended December 31, 2015 and December 31, 2014, 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 ICEsoft Technologies Canada Corp. (formerly ICEsoft Technologies, Inc.) and its subsidiaries as at December 31, 2015 and December 31, 2014, and their financial performance and cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 2(c) to the consolidated financial statements which describes conditions that indicate the existence of material uncertainties that may cast significant doubt upon the Corporation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Collins Barrow Calgary LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Calgary, Canada
April 7, 2016

ICESoft Technologies Canada Corp.
(formerly ICESoft Technologies, Inc.)
Consolidated Statements of Financial Position
(\$CDN)
As at

	December 31, 2015	December 31, 2014
	\$	\$
ASSETS		
Current assets		
Cash	39,137	33,584
Accounts receivable	195,839	187,994
Government grants and credits receivable	-	1,316
Prepaid expenses and deposits	4,351	30,991
Total assets	239,327	253,885
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (notes 5, 6 & 13)	1,301,412	771,196
Deferred revenue	1,359,044	1,138,888
Current portion of long-term debt (note 7)	554,186	1,064,111
Convertible notes (note 8)	488,215	-
Derivative liability (note 8)	506,531	-
Total current liabilities	4,209,388	2,974,195
Long-term debt (note 7)	183,863	-
Total liabilities	4,393,251	2,974,195
Equity		
Share capital (note 10)	22,420,905	22,129,556
Contributed surplus (note 11)	2,684,501	1,973,432
Warrants (notes 5, 11 & 12)	54,473	-
Accumulated other comprehensive loss	(1,688,512)	(1,257,631)
Deficit	(27,625,291)	(25,565,667)
Total shareholders' deficiency	(4,153,924)	(2,720,310)
Total liabilities and shareholders' deficiency	239,327	253,885

Going concern (note 2(c))
Commitments and contingencies (note 14)
Subsequent events (notes 7 and 18)

Approved by the Board of Directors

"Brian McKinney" _____, Director "Mark Francis" _____, Director

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

ICEsoft Technologies Canada Corp.*(formerly ICEsoft Technologies, Inc.)*Consolidated Statements of Loss and Comprehensive Loss
(\$CDN)*For the years ended*

	December 31, 2015	December 31,
	\$	2014
	\$	\$
Revenues		
Subscriptions	1,840,116	1,728,887
Professional services	133,638	335,814
License fees	126,886	110,490
Total revenue	2,100,640	2,175,191
Expenses		
Research and development (note 13)	1,456,173	1,687,446
General and administrative (note 13)	675,009	458,258
Sales, marketing, and customer operations (note 13)	449,527	410,055
Total expenses	2,580,709	2,555,759
Loss from operations	(480,069)	(380,568)
Other income (expense)		
Other income	31,699	-
Reverse takeover and listing expenses (note 5)	(381,858)	-
Finance expense	(243,846)	(724,694)
Foreign exchange	(2,144)	(5,818)
Gain on conversion of convertible notes (note 8)	-	15,200
Stock based compensation (note 11)	(765,542)	(3,583)
Accretion of convertible notes (note 8)	(309,453)	-
Gain on fair value of derivative liability (note 8)	91,589	-
Total other expense	(1,579,555)	(718,895)
Net loss	(2,059,624)	(1,099,463)
Other comprehensive loss		
Exchange loss on translation of foreign operations	(430,881)	(158,375)
Comprehensive loss	(2,490,505)	(1,257,838)
Loss per share - basic and diluted (note 10)	(0.24)	(0.10)

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

ICESoft Technologies Canada Corp.
(formerly ICESoft Technologies, Inc.)
Consolidated Statements of Changes in Shareholders' Deficiency
(\$ CDN)
For the years ended

	Share Capital (\$)	Equity Portion of Convertible Note (\$)	Contributed Surplus (\$)	Warrants (\$)	Deficit (\$)	Accumulated Other Comprehensive Loss (\$)	Total (\$)
Balance, December 31, 2013	12,851,185	169,026	1,969,849	-	(24,466,204)	(1,099,256)	(10,575,400)
Stock based compensation (note 12)	-	-	3,583	-	-	-	3,583
Issuance of shares on conversion of preferred shares (note 10)	6,251,417	-	-	-	-	-	6,251,417
Issuance of shares on conversion of notes (note 10)	3,026,954	(169,026)	-	-	-	-	2,857,928
Net loss and comprehensive loss	-	-	-	-	(1,099,463)	(158,375)	(1,257,838)
Balance, December 31, 2014	22,129,556	-	1,973,432	-	(25,565,667)	(1,257,631)	(2,720,310)
Shares issued on acquisition (note 5)	129,461	-	-	-	-	-	129,461
Issuance of shares (Note 10)	161,888	-	-	-	-	-	161,888
Stock based compensation (notes 11 and 12)	-	-	711,069	-	-	-	711,069
Financing warrants issued (notes 11 and 12)	-	-	-	54,473	-	-	54,473
Net loss and comprehensive loss	-	-	-	-	(2,059,624)	(430,881)	(2,490,505)
Balance December 31, 2015	22,420,905	-	2,684,501	54,473	(27,625,291)	(1,688,512)	(4,153,924)

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

ICESoft Technologies Canada Corp.*(formerly ICESoft Technologies, Inc.)*

Consolidated Statements of Cash Flows

(\$CDN)

For the years ended

	December 31, 2015 \$	December 31, 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(2,059,624)	(1,099,463)
Add (deduct) items not involving cash:		
Accretion of convertible notes	309,453	32,847
Gain on fair value of derivative	(91,589)	-
Stock-based compensation	765,542	3,583
Listing expense (note 5)	176,400	-
Unrealized foreign exchange	16,335	-
	(883,483)	(1,063,033)
Changes in non-cash working capital items:		
Trade and other receivables	(19,045)	(38,495)
Government grants and credits receivable	1,316	84,474
Prepaid expenses and deposits	26,640	30,477
Accounts payable and accrued liabilities	685,976	758,794
Deferred revenue	206,516	58,924
Changes in non-cash working capital items	901,403	894,174
Net cash provided by (used in) operating activities	17,920	(168,859)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	161,888	-
Proceeds from issuance of convertible notes	230,748	331,424
Proceeds from issuance of long term debt	25,727	(147,309)
Cash acquired on acquisition (note 5)	151	-
Net cash generated by financing activities	418,514	184,115
Effect of changes in foreign exchange rates on cash	(430,881)	27,437
Net increase in cash and cash equivalents for the year	5,553	42,693
Cash and cash equivalents, beginning of the year	33,584	(9,109)
Cash and cash equivalents, end of the year	39,137	33,584
Supplemental cash flow information:		
Interest paid	150,401	131,935

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

ICESoft Technologies Canada Corp

(formerly ICESoft Technologies, Inc.)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(\$CDN)

1. NATURE OF OPERATIONS

ICESoft Technologies Canada Corp. (formerly ICESoft Technologies, Inc.) (the "Corporation" or "ICESoft"), was incorporated on May 10, 2002 under the Canada Business Corporations Act as 4067053 Canada Inc.

ICESoft Technologies, Inc. ("ICESoft Inc."), a wholly-owned subsidiary of ICESoft, was incorporated on December 5, 2001 in the state of Delaware as InFix Group, Inc.

ICESoft and its subsidiaries are commercial Java open source technology companies and providers of mobile rich Internet applications development solutions for desktop and mobile enterprise. ICESoft's head office is located at 300, 1717 – 10th Street NW, Calgary, Alberta, Canada, T2M 4S2.

Prior to December 31, 2014, ICESoft was a wholly-owned subsidiary of ICESoft Nova Scotia Corp. On December 31, 2014, the consolidated group restructured such that ICESoft Inc. became a wholly-owned subsidiary of ICESoft and ICESoft Nova Scotia continued to be a wholly-owned subsidiary of ICESoft Inc. This restructure constituted a common control transaction with no economic substance and therefore had no effect for accounting purposes.

The consolidated financial statements of the Corporation as of and for the years ended December 31, 2015 and 2014 consist of the Corporation and its wholly owned subsidiaries. ICESoft wholly owns ICESoft Holdings Corporation, which acts as the Corporation's main Canadian operating entity; and wholly owns ICESoft Technologies Ltd., incorporated in the State of Delaware, which acts as the United States operating entity.

On September 24, 2015, Stinton Exploration Ltd. ("Stinton") and ICESoft closed a business combination transaction pursuant to which Stinton acquired the business and assets of ICESoft. The transaction constitutes a reverse acquisition of Stinton and has been accounted for at the fair value of the equity instruments granted by the shareholders of ICESoft to the shareholders of Stinton. The results of operations of Stinton are included in the consolidated financial statements of ICESoft from the date of the reverse acquisition (note 5).

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 7, 2016.

(b) Basis of 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 convention, except as noted in Notes 3(f) and (l).

2. BASIS OF PRESENTATION *(continued)*

(c) Going concern

These consolidated financial statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern. As at December 31, 2015, the Corporation has cash and cash equivalents of \$39,137 (2014 - \$33,584). However, as at December 31, 2015 the Corporation has negative net working capital position of \$3,970,061 (2014 - \$2,720,310). The Corporation also has an accumulated deficit of \$27,625,291 (2014 - \$25,565,667) as at December 31, 2015 and incurred a net loss during the year ended December 31, 2015 of \$2,059,624 (2014 - \$1,099,463). The Corporation has not yet been able to generate the transaction volumes required to create positive cash flows from operations. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2015 is uncertain. Until this time, management may have to raise funds by way of debt or equity issuances. The Corporation will closely monitor its cash and will take the necessary measures to preserve cash, such as reducing spending as needed until the Corporation succeeds in gathering sufficient sales volumes to consistently achieve profitable operations and generate positive cash flows from operations.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD") which is the functional currency of the Corporation. The functional currency of ICESoft Inc. is U.S. dollars ("USD").

(e) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany transactions 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) Revenue Recognition

The Corporation generates revenue through the provision of professional services and support agreements. In all cases, revenues generated in the normal course of business are measured at the fair value of the consideration received or receivable. Revenues are recognized only when there is persuasive evidence that an arrangement exists, delivery has occurred or the service has been rendered, the price is fixed or determinable, and collection of the related receivable is reasonably assured. Revenues arising from an agreement to render services are recognized based on the stage of completion of the contract. Rebates and similar deductions are deducted from revenues.

In addition to these general revenue recognition policies, the following specific revenue-recognition policies are applied to the Corporation's main sources of revenue:

- (i) Subscriptions and license contract fees are deferred when received and recognized evenly over the term of the agreement.
- (ii) Professional services are recognized when the service occurs.

(b) 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. The Corporation did not have any development costs that met the capitalization criteria for the years ended December 31, 2015 or 2014.

ICESoft Technologies Canada Corp

(formerly ICESoft Technologies, Inc.)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(\$CDN)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) 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.

(e) 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 presentation currency at the period-end exchange rate. All foreign currency adjustments 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. All asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement 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).

(f) 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, which is normally on the date of purchase.

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.

ICESoft Technologies Canada Corp

(formerly ICESoft Technologies, Inc.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(\$CDN)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 accounts receivable and deposits 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 derecognized 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 had no financial instruments in this category as at December 31, 2015 or 2014.

(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 accounts payable and accrued liabilities, long-term debt and convertible notes 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. Share capital is classified as equity. Incremental costs directly attributable to the issue of share capital are recognized as a deduction from equity.

ICESoft Technologies Canada Corp

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Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(\$CDN)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Stock-based compensation

The Corporation uses the fair value method for valuing stock-based compensation. Under this method, the compensation cost attributed to stock options or warrants granted is measured at the fair value at the grant date, compensation cost for options or warrants 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 or warrants that vest. Upon the settlement of the stock options the previously recognized value in contributed surplus is recorded as an increase to share capital.

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

(h) 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.

(i) 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.

ICESoft Technologies Canada Corp

(formerly ICESoft Technologies, Inc.)

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(\$CDN)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Non-financial assets

Management assesses the carrying value of non-financial assets, if any, at each reporting date for indications of impairment. Indications of impairment include an ongoing lack of profitability, significant change in technology 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. For 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.

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.

(j) 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.

ICESoft Technologies Canada Corp

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(\$CDN)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(k) Compound financial instruments

The components of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the issuance date, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability based on amortized cost until the instrument is converted or matures. The equity component is determined by deducting the liability component from the total fair value of the compound instrument and is recognized as equity, net of income tax effects, with no subsequent re-measurement.

Convertible debentures and warrants with an exercise or conversion price denominated in a foreign currency are recorded as a derivative liability and classified as fair value through profit and loss. The derivative liability is measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the statement of loss and comprehensive loss. These derivatives have not been listed on an exchange and therefore do not trade on an active market.

(l) 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.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

(\$CDN)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 value of cash is based on Level 1 inputs. The fair value of the convertible notes and derivative liabilities are based on Level 3 inputs.

(m) 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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the 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 consolidated financial statements.

(a) Areas of judgment

(i) Going concern

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability raise additional financing and to achieve profitable operations. Certain judgments are made when determining if the Corporation will be able to continue as a going concern. Further disclosure is included in note 2(c).

(ii) Common control

Management evaluated the consolidated group restructuring that took place on December 31, 2014 and determined that the same group of shareholders controlled the consolidated group prior to, and following the restructuring. Further disclosure is included in notes 1 and 10.

ICESoft Technologies Canada Corp

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Notes to the Consolidated Financial Statements

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

(b) Assumptions and critical estimates

(i) Compound financial instruments

Certain financial instruments are comprised of a liability and an equity component. The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, including the market interest rates of non-convertible instruments.

(ii) Derivative liability

The initial derivative liability and subsequent revaluations of the derivative liability are valued by reference to the fair value of the warrants and conversion features of the convertible notes at the date at which they are granted and subsequently revalued at each reporting date. Estimating fair value of these derivatives requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the average expected life of the warrants, estimated volatility of the Company's shares, risk-free interest rates and dividend yield.

(iii) Stock-based compensation

The amounts recognized relating to the fair value of stock options and warrants are based on estimates of future volatility in the Corporation's share prices, the 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 public companies over the preceding period equaling the expected lives of the Corporation's options and warrants.

(iv) 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.

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

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.

CHANGES IN ACCOUNTING STANDARDS

The following pronouncements will become effective for fiscal periods subsequent to December 31, 2015:

IFRS 15 – “*Revenue from Contracts with Customers*” provides a comprehensive new standard on revenue recognition. It specifies how and when to recognize revenue as well as requiring entities to provide more informative and relevant disclosure. The new standard is effective for years beginning on or after January 1, 2018. IFRS 15 is being assessed to determine its impact on the Corporation's results and financial position.

IFRS 9 – “*Financial Instruments*”, addresses the classification and measurement of financial assets. IFRS 9 replaces the guidance on “classification and measurement” of financial instruments in IAS 39 - “*Financial Instruments – Recognition and Measurement*”. The new standard requires a consistent approach to the classification of financial assets and replaces the numerous categories of financial assets in IAS 39 with two categories, measured at either amortized cost or at fair value. For financial liabilities, the standard retains most of the IAS 39 requirements, but where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of operations and comprehensive loss, unless this creates an accounting mismatch. It also includes a new general hedge accounting model. IFRS 9 is effective for fiscal periods beginning on or after January 1, 2018. IFRS 9 is being assessed to determine its impact on the Corporation's results and financial position.

IFRS 16 – “*Leases*”, eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead leases are “capitalized” by recognizing the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognizes a financial liability representing its obligation to make future lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. IFRS 16 is being assessed to determine its impact on the Corporation's results and financial position.

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5. ACQUISITION

On September 24, 2015, Stinton Exploration Ltd (“Stinton”) and ICESoft closed a business combination transaction pursuant to which Stinton acquired the business assets and liabilities of ICESoft. Pursuant to the agreement, each issued and outstanding ICESoft common share, warrant, and option was exchanged for common shares, warrants, and options of Stinton on a 160 for 1 basis, at a deemed price of CAD\$0.0125 per Stinton share. On closing, Stinton issued 490,680,000 common shares to ICESoft shareholders.

Also in connection with the agreement, the Corporation transferred its 25% interest in the Buffalo Nickel Project back to a shareholder in return for the cancellation of 320,000 common shares of the Corporation held by the shareholder.

The transaction is a reverse acquisition of Stinton and has been accounted for under IFRS 2, Share-based Payments. Accordingly, the transaction has been accounted for at the fair value of the equity instruments granted by the shareholders of ICESoft to the shareholders and option holders of Stinton. The difference between the net liabilities acquired and the fair value of the consideration paid of \$176,400 has been recognized as a listing expense in the statement of loss and comprehensive loss for the year ended December 31, 2015. Costs of the transaction (reverse takeover expenses) of \$205,458 were also expensed during the year ended December 31, 2015.

The results of operations of Stinton are included in the consolidated financial statements of ICESoft from the date of the reverse acquisition, September 24, 2015.

The fair value of the net liabilities of Stinton acquired on September 24, 2015 are as follows:

Cash	\$ 151
Other receivables	1,237
Accounts payable and accrued liabilities	(48,327)
	(46,939)
Purchase price consisted of:	
Fair value of common shares issued	\$ 46,165
Fair value of common shares issued to settle directors loans	87,296
Fair value of common shares cancelled on transfer of 25% interest in the Buffalo Nickel Project	(4,000)
	129,461
Listing expense	176,400

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	December 31, 2015 \$	December 31, 2014 \$
Trade payables	816,022	348,802
Accrued liabilities	15,681	95,587
Payroll	469,709	326,807
	1,301,412	771,196

Trade accounts payable are non-interest bearing and are normally settled on 30 to 60 day terms. As at December 31, 2015, the Corporation has \$473,315 (2014 - \$57,679) in trade accounts payable beyond 60 days.

7. LONG-TERM DEBT

A summary of debt outstanding is as follows:

	December 31, 2015 \$	December 31, 2014 \$
Revolving credit facility secured by the Corporation's expected scientific research tax credit and a general security agreement, bearing interest at 18%, per annum, repayable in installments, maturing on November 30, 2016 (i)	460,000	437,011
Government royalty financing payable, unsecured, required repayments equal to 1.59% of gross revenue (ii)	222,363	222,210
Notes payable to officers, directors and shareholders, bearing interest at 18%, per annum, unsecured with no fixed terms of repayment	29,959	37,823
Note payable to director, officer and shareholder, bearing interest at 6%, per annum, unsecured with no fixed terms of repayment	25,727	-
Notes payable to a director, bearing interest at 25%, per annum, secured with a general security agreement, repayable on demand	-	359,631
Short-term credit facility, secured by the Corporation's accounts receivable, repayable weekly over a 12 week term, bearing interest at 5.83% per annum	-	7,436
	738,049	1,064,111
Less current portion	(554,186)	(1,064,111)
	183,863	-

ICEsoft Technologies Canada Corp

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7. LONG-TERM DEBT (continued)

- (i) In July 2015, the Corporation revised its credit facility agreement. The revolving credit facility is to finance one or more tax credits or claims. The initial principal on the facility was \$480,000. The facility bears interest at 18% per annum and is secured by the Corporation's expected SR&ED credit. The credit facility matures on November 30, 2016 and as at December 31, 2015, the Corporation is scheduled to make the following payments on the loan:

December 31, 2015	\$	150,000
June 30, 2016		150,000
November 30, 2016		160,000
	\$	<u>460,000</u>

The December 31, 2015 payment was not made as the credit facility was restructured subsequent to year end (note 18(b)).

- (ii) During the year ended December 31, 2015, the Corporation was in violation of the payment terms on the loan agreement related to the government royalty financing. This was remedied by making immaterial interest payments, which accrue at a rate of 3.75% per annum and returning to required payment terms subsequent to year end.

8. CONVERTIBLE NOTES

In April 2015 ICEsoft entered into two convertible notes payable to a director for \$100,000 USD and \$310,000 USD respectively. These convertible notes payable converted from existing long term debt. The notes bear interest at 25% annual interest with a maturity date of August 1, 2016. A conversion feature and warrants were added on April 30, 2015. The notes are convertible to common shares at a conversion price of \$0.10 USD/share before the maturity date. In association with the notes, 20,000 purchase warrants at a rate of \$1.00 USD (\$0.10 after the share consolidation) were issued. The warrants are only exercisable in the event that the lender elects to convert the debt subsequent to the retirement of all debt facilities described in Note 7.

As the convertible notes were issued in US dollars with a conversion feature and warrants denominated in US dollars, the convertible notes are accounted for as a derivative liability whereby the liability is measured at fair value with subsequent changes in fair value accounted for through the consolidated statement of loss. The fair value of these derivatives is determined using the Black Scholes Option Pricing Model. As these derivatives are converted or exercised, the value of the recorded derivative liability is included in the share capital along with the proceeds from the exercise. If these debentures mature without conversion or the warrants expire, the related derivative liability is reversed through the statement of loss. There is no cash flow impact as a result of the accounting treatment for changes in the fair value of the derivative liability or when the debentures mature without conversion or the warrants expire unexercised.

On issuance date of the convertible notes payable, the carrying value of the derivative liability measured at fair value was \$580,181 CDN while at December 31, 2015 the fair value was \$758,943 CDN, which includes accrued interest. The following table describes the valuation parameters used in determining the carrying amount of the derivative liability.

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8. CONVERTIBLE NOTES *(continued)*

	December 31, 2015	April 30, 2015 <i>(issuance date)</i>
Stock price	\$ 0.20	\$ 0.20
Conversion price of convertible notes (\$CDN)	\$ 0.1384	\$ 0.1212
Exercise price of warrants	\$ 0.1384	\$ 0.1212
Risk-free rate	0.70%	0.80%
Expected volatility	100%	100%
Expected term	0.6 years	1.3 years
Expected dividends	Nil	Nil

At December 31, 2015, balances are summarized as follows:

Face value of debt plus accrued interest in CDN \$	\$758,943
Less: Fair value of derivatives at inception	(580,181)
Add: Accretion of discount	309,453
Carrying value of debt	488,215
Fair value of conversion feature	476,209
Fair value of warrants	30,322
Fair value December 31, 2015	\$994,746

During the year ended December 31, 2014, the Corporation issued unsecured convertible notes with principal amounts totaling \$331,424. The notes bore interest at a rate of 25% per annum and were convertible into common shares, at any time, at the option of the holder at \$0.032 per share. Unless converted or earlier repaid at the option of the Corporation, the principal and interest was due and payable in full upon either a liquidity event or within 45 days of written demand subsequent to the date identified as the maturity date in the agreement, ranging from 180 to 365 days after closing of the agreement.

These convertible notes and the related accrued interest were converted into common shares on December 17, 2014.

The Corporation determined that the convertible notes met the definition of a compound financial instrument and determined the fair value of the liability and the resulting equity component by discounting the expected future cash flows of each convertible debenture using interest rates of 30%, representing management's estimate of the fair value interest rate for a similar instrument without the conversion feature.

ICESoft Technologies Canada Corp*(formerly ICESoft Technologies, Inc.)*Notes to the Consolidated Financial Statements
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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.

The reconciliation of the differences is as follows:

	December 31, 2015	December 31, 2014
	\$	\$
Loss before income taxes	(2,059,624)	(1,099,463)
Weighted average statutory income tax rate	29.36%	28.85%
Expected income tax recovery	(604,706)	(317,236)
Change in valuation allowance	808,724	717,682
Foreign exchange rate change	(339,254)	(405,335)
Stock-based compensation	224,763	-
Other	(89,527)	4,889
Income tax recovery	-	-

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

	December 31, 2015	December 31, 2015
	\$	\$
Non-capital losses	(6,388,768)	(5,580,272)
Property and equipment	(3,086)	(2,858)
Valuation allowance	6,391,854	5,583,130
Deferred tax asset	-	-

As at December 31, 2015, the Corporation has Canadian non-capital loss carry forwards of approximately \$7,779,868 (2014 - \$5,140,311) and US non-capital loss carry forwards of approximately US \$8,321,463 (2014 - US \$9,591,798). The non-capital loss carry forwards expire at various dates from 2016 to 2035. The Corporation also has tax deductible balances of \$11,430 (2014 - \$11,430), relating to capital assets, which have not been recognized on the consolidated statement of financial position.

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10. 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, 2013	10,523,138	12,851,185
Shares issued on conversion of convertible debenture (i)	-	3,026,954
Shares issued on conversion of preferred shares (i)	-	6,251,417
Share split upon restructuring (i)	(7,523,138)	-
Balance at December 31, 2014	3,000,000	\$22,129,556
Issuance of shares, net of issuance costs	66,750	131,888
Elimination of ICEsoft common shares	(3,066,750)	-
Stinton common shares pre amalgamation	3,740,000	-
Stinton issuance of shares	490,680,000	46,165
Issued to settle Directors loans	6,983,665	87,296
Disposal of 25% interest in Buffalo Nickel Project	(320,000)	(4,000)
Balance before share consolidation	501,083,665	22,390,905
16:1 share consolidation	31,317,722	22,390,905
Issuance of Shares	150,000	30,000
Balance, December 31, 2015	31,467,722	22,420,905

The Corporation has the following Preferred Shares issued and outstanding:

	Number of Shares #	Share Capital \$
Balance, December 31, 2013	19,457,801	6,251,417
Shares exchanged on conversion of convertible debenture (i)	(19,457,801)	(6,251,417)
Balance, December 31, 2014 and 2015	-	-

- (i) On December 31, 2014, the Corporation underwent a corporate restructuring (note 1). In line with this restructuring, the convertible note holders and preferred shareholders converted all of their convertible notes and preferred shares into common shares. As such, the book value of the debt and equity portions of the convertible notes and book value of the preferred shares were transferred to share capital, resulting in an increase to share capital of \$3,026,954 and \$6,251,417, respectively. In addition, the Corporation consolidated its shares so that it had 3,000,000 common shares issued and outstanding.

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10. SHARE CAPITAL (continued)

The weighted average number of common shares outstanding used to calculate basic and diluted loss per share is 8,582,001 for the year ended December 31, 2015 (2014 – 233,750). The Corporation excluded all convertible notes and stock options from the calculation of diluted loss per share for the years ended December 31, 2015 and 2014 as they would be anti-dilutive. The weighted average number of shares for the period ended December 31, 2015 and 2014 have been adjusted to reflect the equivalent number of Stinton shares issued to ICESoft shareholders upon the reverse acquisition, after adjusting for the 16:1 share consolidation.

11. CONTRIBUTED SURPLUS & WARRANTS

Contributed surplus is used to recognize the fair value of stock options granted. When options are subsequently exercised, the fair value of such options in contributed surplus is credited to share capital. Refer to note 12 for further details on the stock option plan.

	\$
Balance, December 31, 2013	1,969,849
Stock-based compensation expense	3,583
Balance, December 31, 2014	1,973,432
Stock-based compensation expense	711,069
Balance, December 31, 2015	2,684,501

Warrants are used to recognize the fair value of warrants grants to support financings. When warrants are subsequently exercised, the fair value of such warrants is credited to the warrants account. Refer to note 12 for further details on warrant transactions.

Warrants	\$
Balance, December 31, 2013 and 2014	-
Warrants granted	54,473
Balance, December 31, 2015	54,473

12. STOCK-BASED COMPENSATION & WARRANT TRANSACTIONS

- (a) 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 other providing services to the Corporation, non-transferable options to purchase common shares, exercisable for a period of five to seven years from the date of grant.

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12. STOCK-BASED COMPENSATION & WARRANT TRANSACTIONS (continued)

A summary of the Plan transactions for the year ended December 31, 2015 and 2014 are as follows:

	For the year ended December 31, 2015		For the year ended December 31, 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at beginning of year	-	-	6,392,538	0.05
Options granted to employees, directors, officers and other	4,570,000	0.13	-	-
Options forfeited or expired	-	-	(1,362,000)	0.04
Options cancelled upon restructuring	-	-	(5,030,538)	0.05
Outstanding at end of year	4,570,000	0.13	-	-

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, 2015	For the year ended December 31, 2014
Fair value of options	\$0.15	-
Exercise price	\$0.13	-
Share price	\$0.13-0.20	-
Dividend yield	-	-
Forfeiture %	-	-
Risk-free interest rate	1.5%	-
Expected life of options	4.2 yrs.	-
Expected volatility	100%	-

The Corporation's shares were not traded publicly during the years ended December 31, 2015 or 2014 and, as a result, the Corporation does not have necessary trading history to compute its expected volatility using historical volatility; therefore, the Corporation has used the historical volatilities of certain members of its peer group for input into the Black-Scholes Option Pricing Model.

The Corporation recorded stock-based compensation expense for options of \$711,069 (2014 - \$3,583) with an offsetting increase to contributed surplus in respect of the stock options granted.

No options were exercised during the years ended December 31, 2015 or 2014.

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12. STOCK-BASED COMPENSATION & WARRANT TRANSACTIONS *(continued)*

(b) A summary of warrant transactions for year ended December 31, 2015 is as follows:

	Number of Warrants	Weighted average exercise price	Expiry Date
Warrants, December 31, 2013 and 2014 Issued March 11, 2015 with convertible debenture	-	-	
Issued September 24, 2015	200,000	0.13	March 10, 2020
Issued October 30, 2015	333,750	0.24	September 23, 2020
Issued October 30, 2015	75,000	0.24	October 29, 2020
Issued October 30, 2015	100,000	0.20	October 29, 2020
Warrants, December 31, 2015	708,750	0.20	

	Number of warrants	Weighted average remaining contractual life (Yrs.)	Weighted average exercise price \$
Outstanding at December 31, 2015	708,750	4.6	0.20

The Corporation recorded \$54,473 for warrant share issuance costs in respect of the warrants granted as part of financing costs during the year ended December 31, 2015. No warrants were exercised during the year ended December 31, 2015.

13. RELATED PARTY TRANSACTIONS

The Corporation considers its key management personnel to be its Chief Executive Officer; Chief Financial Officer; Vice President, Sales; and directors. Key management compensation is composed of payroll, stock based compensation and consulting fees paid to key management and companies controlled by key management. During the year ended December 31, 2015, key management compensation amounted to \$380,253 (2014 - \$369,322), split between general and administrative, sales, marketing and customer operations, research and development expenses and stock-based compensation based on work performed.

The Corporation incurred interest expense of \$158,890 (2014 - \$306,202) on long-term debt and convertible notes held by key management personnel during the year ended December 31, 2015. Key management personnel have accounts payable owing from the Corporation, including interest, payroll and vacation accruals, in the amount of \$455,915 at December 31, 2015 (2014 - \$253,017) and hold long-term debt and convertible notes payable from the Corporation totaling \$1,066,113 at December 31, 2015 (2014 - \$397,454). These notes were issued in the normal course of business.

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13. RELATED PARTY TRANSACTIONS (continued)

Total personnel expenses for employees, consultants, directors and management included in expenses in the consolidated statement of loss and comprehensive loss total \$1,923,136 (2014 - \$1,999,287) for the year ended December 31, 2015, split between general and administrative, sales, marketing and customer operations, and research and development expenses, based on work performed.

14 COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Corporation is committed under a lease on office space, expiring August 31, 2016 for future minimum rental payments exclusive of occupancy costs. These payments for 2016 total \$87,257.

(b) Contingencies

During 2014, Canada Revenue Agency deemed that ICESoft Technologies was no longer structured as a CCPC. This ruling negated the expected \$604,957 in Scientific Research Tax Credits that the Company was previously expecting to collect. Management is contesting the ruling but has deemed that these funds are unlikely to be received and has recorded an allowance for the entire amount of the receivable.

15 CAPITAL MANAGEMENT

The Corporation optimizes its capital structure with a view to ensure a strong financial position to support its operations and growth strategies. The Corporation's capital structure is made up of its equity, which includes common shares, contributed surplus, warrants, accumulated other comprehensive income, and deficit. 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.

The corporation's capital consists of:

	December 31, 2015	December 31, 2014
	\$	\$
Common shares	22,420,905	22,129,556
Contributed surplus	2,684,501	1,973,432
Warrants	54,473	-
Accumulated other comprehensive income	(1,688,512)	(1,257,631)
Deficit	(27,625,291)	(25,565,667)
Total capital	(4,153,924)	(2,720,310)

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.

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16. 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 and adherence to 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, market risk and currency risk. These risks, and the actions taken to manage them, include:

(a) Fair value

Due to the short-term nature of cash, accounts receivable, deposits, accounts payable and accrued liabilities, and convertible notes payable, the Corporation determined that the carrying amounts of these financial instruments approximate their fair value. The carrying amounts of the long-term debt approximate their fair value due either to the interest rate approximating market rates or because of the short period maturity. The fair value of the derivative liability has been disclosed in note 8.

(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, accounts receivable and deposits. The maximum exposure to credit risk is equal to the carrying value of the Corporation's cash and cash equivalents, accounts receivable and deposits.

The Corporation minimizes credit risk associated with its cash balance substantially by dealing with major financial institutions in Canada and the United States.

The Corporation is exposed to normal credit risk from customers. Accounts receivable are generally unsecured, subject to the Corporation's ability to file security interest under certain conditions. Accounts receivable are normally collected 30 days after invoicing. Default rates on unsecured credit have traditionally been below 1% of annual sales. Licenses for proprietary software cease to function if payments are not kept current. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries. Additional sales and services may be withheld if a customer fails to pay its obligations in a timely manner. As at December 31, 2015, accounts receivable over 30 days old were \$55,630 (2014 - \$119,134). The Corporation did not record any bad debts during the years ended December 31, 2015 or 2014.

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

(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, 2015, the Corporation has cash and cash equivalents of \$39,137 (2014 - \$33,584). However, as at December 31, 2015 the Corporation has negative net working capital position. The Corporation will closely monitor its cash and will take the necessary measures to manage its liquidity risk, such as reducing spending as needed.

The Corporation's financial liabilities under obligations that have contractual maturities are summarized below:

	Less than year \$	2-5 years \$	After 5 years \$	Total \$
Accounts payable and accrued liabilities	1,301,412			1,301,412
Deferred revenue	1,068,544	290,500		1,359,044
Convertible debentures	488,215			488,215
Derivative liability	506,531			506,531
Long-term debt	554,186	183,863		738,049
	3,918,888	474,363		4,393,251

(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, 2015, the Corporation's exposure to currency risk is limited to cash and cash equivalents denominated in US dollars in the amount of US \$376 (2014 - US \$61,088), accounts receivable of US \$117,898 (2014 - US \$158,082), notes payable of US \$21,647 (2014 - US \$nil), accrued interest payable of US \$11,330 (2014 - US \$nil) and convertible notes payable of US \$718,747 (2014 - US \$nil) accounts payable and accrued liabilities denominated in US dollars in the amount of US \$296,163 (2014 - US \$333,249). A 1% change in the exchange rate between the Canadian and US dollar would have a \$9,296 (2014 - \$4,600) impact on the net loss and cash flows of the Corporation.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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, 2015, the Corporation because its long term debt and convertible debentures bear interest at fixed rates.

17. SEGMENTED INFORMATION

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

18. SUBSEQUENT EVENTS

- (a) In January 2016, the Corporation entered into a loan agreement with an officer and director of the Corporation for \$74,273 bearing interest at 6.0%, accruing monthly. The loan has no fixed terms of repayment and is unsecured.
- (b) On February 3, 2016, the Corporation closed on restructuring its outstanding debt and raising capital by way of a private placement. The Corporation received approximately \$342,448 comprised of \$292,448 in cash and a \$50,000 payment in kind at \$0.20 per unit. Each unit consists of one common share at \$0.20 per share and 1/2 common share warrant exercisable at \$0.24 per share until July 1, 2016 and thereafter exercisable at \$0.30 until December 31, 2017 (the "Private Placement").

An additional \$100,000 was received as junior unsecured debt accruing at a non-compounding interest rate of 6% per annum. This private placement closed on February 3, 2016.

A total of \$275,000 of cash proceeds was used to repay a restructuring of the company's outstanding credit facility used to finance tax credits or claims. This facility will bear interest at 1.5% per month and will mature on November 30, 2016. As of the date of the restructuring agreement, the outstanding principal on the facility was \$450,000. The remaining scheduled repayments on this facility are as follows:

<u>Date</u>	<u>Principal</u>
February 1, 2016	\$ 275,000
June 30, 2016	5,000
July 31, 2016	15,000
August 31, 2016	15,000
October 31, 2016	20,000
November 30, 2016	120,000
	<u>\$ 450,000</u>

ICESoft Technologies Canada Corp

(formerly ICESoft Technologies, Inc.)

Notes to the Consolidated Financial Statements
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(\$CDN)

18. SUBSEQUENT EVENTS *(continued)*

Concurrent with the closing of the Private Placement, the Corporation completed the conversion of two outstanding convertible notes in the aggregate amount of \$821,321 (including accrued interest) into 5,775,527 common shares at a deemed price of \$0.142 per share in accordance with the terms of the convertible notes. The Corporation also completed the conversion of an additional promissory note in the aggregate amount of \$52,130 (including accrued interest) into 260,650 common shares at a deemed price of \$0.20 per share in accordance with an agreement reached with the note holder. Following the closing of the Private Placement and conversion of the promissory notes, the Corporation also completed the conversion of \$50,000 of its outstanding debt into Units at a deemed price of \$0.20 per Unit, resulting in the issuance of 250,000 Units.

In addition to the above transactions, an additional \$53,000 worth of deferred compensation owed to company president and CEO, was cancelled. This amount was included in accounts payable and accrued liabilities at December 31, 2015 (note 6).

- (c) On February 17, 2016, the Canadian Securities Exchange approved ICESoft for listing subject to completing a minimum equity financing of \$650,000 and completing all outstanding CSE application documentation and payment of fees pursuant to the Policies.
- (d) On March 9, 2016, the Corporation announced it closed a non-brokered private placement of 325,000 units at a price of \$0.20 per unit, raising aggregate proceeds of approximately \$65,000, each unit consisting of one common share and one-half common share purchase warrant exercisable at a price of \$0.24 per share until after June 1, 2016 and thereafter exercisable at a price of \$0.30 per share until December 31, 2017. The funds will be used for general working capital.