

DXStorm.com Inc.
Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016
(Unaudited and Prepared by Management)

INDEX

	Page
Consolidated Interim Statements of Financial Position	2
Consolidated Interim Statements of Operations and Comprehensive Income (Loss)	3
Consolidated Interim Statements of Changes in Shareholders' Equity	4
Consolidated Interim Statements of Cash Flows	5
Notes to the Consolidated Interim Financial Statements	6-30

DXStorm.com Inc.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Zoran Popovic"

Zoran Popovic
President and Chief Executive Officer

May 27, 2016

DXStorm.com Inc.
Consolidated Interim Statements of Financial Position

	March 31, 2016 \$	June 30, 2015 \$
ASSETS		
Current		
Cash (Note 3)	840,988	832,428
Accounts receivable, net (Note 4, Note 14(a), Note 14(b))	99,625	121,124
Note receivable (Note 14(d))	-	200,000
Employee loan	-	15,000
Prepaid expenses and deposit (Note 5)	10,366	5,455
	950,979	1,174,007
Non-Current		
Property, plant and equipment (Note 6)	10,322	10,566
	961,301	1,184,573
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 14(a))	58,194	51,965
GST/HST/QST payable	6,111	7,848
Deferred revenue (Note 7)	122,510	120,793
	186,815	180,606
Going concern (Note 1)		
Lease commitment (Note 13)		
SHAREHOLDERS' DEFICIT		
Share capital (Note 9(b))	11,013,082	11,013,082
Shares reserved for acquisition of ACEnetx Inc. (Note 8)	156,441	156,441
Contributed surplus (Note 9(e))	1,007,440	1,007,440
Deficit	(11,402,477)	(11,172,996)
Total Shareholders' Equity	774,486	1,003,967
Total Liabilities and Shareholders' Equity	961,301	1,184,573

Approved on behalf of the Board:

signed “Zoran Popovic” Director

signed “Dan McKenzie” Director

The accompanying notes form an integral part of these consolidated interim financial statements

DXStorm.com Inc.
Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenue				
E-commerce services	96,578	94,312	307,314	352,497
Management services (Note 14(b))	80,699	79,443	247,164	260,018
Other revenue	1,538	77	1,625	604,206
	178,815	173,832	556,103	1,216,721
Operating expenses				
Administrative	49,853	53,708	159,226	766,871
Research and development	75,796	75,997	236,668	256,144
Management expenses (Note 14(b))	76,856	75,660	235,394	247,636
Rent (Note 14(a), 14(c))	42,000	42,000	126,000	96,000
Selling expense	13,187	14,025	40,923	43,478
Amortization (Note 6)	773	1,056	2,542	2,791
Bad debts expense	-	-	(3,452)	(11)
Foreign exchange gain	3,311	(12,492)	(1,680)	(29,723)
	261,776	249,954	795,621	1,383,186
Income (loss) for the period	(82,961)	(76,122)	(239,518)	(166,465)
Gain from settlement (Note 16)	-	-	-	1,792,005
Interest	-	-	10,037	-
Net income (loss) and comprehensive income (loss) for the period	(82,961)	(76,122)	(229,481)	1,625,540
Income (loss) per share	(0.004)	(0.004)	(0.011)	0.078
Weighted average number of shares	20,729,508	20,729,508	20,729,508	20,729,508

The accompanying notes form an integral part of these consolidated interim financial statements.

DXStorm.com Inc.
Consolidated Interim Statements of Changes in Shareholders' Equity
For the Nine Months Ended March 31

	March 31, 2016 \$	March 31, 2015 \$
Share Capital		
Balance - Beginning of year	11,013,082	11,013,082
Balance - End of period	11,013,082	11,013,082
Shares reserved for acquisition of ACEnetx Inc.		
Balance - Beginning of year	156,441	156,441
Balance - End of period	156,441	156,441
Contributed Surplus		
Balance - Beginning of year	1,007,440	1,007,440
Balance - End of period	1,007,440	1,007,440
Deficit		
Balance - Beginning of year	(11,172,996)	(12,600,935)
Income (Loss) for the period	(229,481)	1,625,540
Balance - End of period	(11,402,477)	(10,975,395)
Total Shareholders' Equity	774,486	1,201,568

The Company does not have any other accumulated comprehensive income or loss balance.

The accompanying notes form an integral part of these consolidated interim financial statements

DXStorm.com Inc.
Consolidated Interim Statements of Cash Flows
For the Nine Months Ended March 31

	March 31, 2016 \$	March 31, 2015 \$
Operating activities		
Net income (loss) for the period	(229,481)	1,625,540
Items not affecting cash:		
Amortization	2,542	2,791
	<u>(226,939)</u>	<u>1,628,331</u>
Change in non-cash working capital items		
Accounts receivable	21,499	127,115
Prepaid expenses and deposit	(4,911)	1,574
Accounts payable and accrued liabilities	6,229	(646,256)
GST/HST/QST payable	(1,737)	29,496
Deferred revenue	1,717	(5,888)
Employee loan	15,000	-
Total cash provided by (used in) operating activities	<u>(189,142)</u>	<u>1,134,372</u>
Investing activities		
Purchase of property, plant and equipment	(2,298)	(1,128)
Total cash used in investing activities	<u>(2,298)</u>	<u>(1,128)</u>
Financing activities		
Note receivable	200,000	-
Due to director	-	(245,000)
Total cash (used in) provided by financing activities	<u>200,000</u>	<u>(245,000)</u>
Change in cash	8,560	888,244
Cash:		
Beginning of the year	<u>832,428</u>	<u>17,657</u>
End of the period	<u><u>840,988</u></u>	<u><u>905,901</u></u>

The accompanying notes form an integral part of these consolidated interim financial statements.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

1. NATURE OF OPERATIONS AND GOING CONCERN

DXStorm.com Inc. (the “Company”) was created on June 16, 2000 as a result of the reverse takeover of West Park Resources Inc. by DXStorm Inc. and continued under the laws of Ontario on June 19, 2000 as DXStorm.com Inc. The Company is a public company for which the common shares are listed on the TSX Venture Exchange (trading symbol “DXX”) and is located at 824 Winston Churchill Blvd, Oakville ON L6J 7X2. Its principal business is providing services relating to medical application software development, e-commerce and internet based solutions to clients in Canada, the United States of America and Sint Maarten.

These unaudited consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from March 31, 2016. At March 31, 2016, the Company has an accumulated deficit of \$11,402,477 (June 30, 2015 - deficit of \$11,172,996) and has working capital of \$764,164 (June 30, 2015 – \$993,401). The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient funds and to continue to obtain sufficient capital from investors to meet its current and future obligations. The Company is subject to risks and challenges similar to companies in a comparable stage of software development, e-commerce services and internet based solutions. As a result of these risks, a material uncertainty exists which casts significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these audited financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

Statement of compliance

These unaudited consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (IFRICs). Accordingly, they do not include all of the information required for full annual financial statements by International Financial Reporting Standards (“IFRS”) for complete financial statements for yearend reporting purpose. Results for the period ended March 31, 2016, are not necessarily indicative of future results.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of presentation (cont'd)

The Company operates in one segment defined as the cash generating unit (“CGU”) which is North America. These financial statements were authorized for issue by the Board of Directors on May 27, 2016.

Basis of measurement

These unaudited consolidated interim financial statements have been prepared on a historical cost basis (except for the revaluation of certain financial instruments to fair value), in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board that are published at the time of preparation and are effective on March 31, 2016.

(b) Basis of consolidation

The audited consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Clic.net Telecommunications Inc., and the following inactive companies: DXStorm Inc.; Elan Informatique Inc., Clic.net Connexion Inc., 3697932 Canada Inc., operating as 5Click (“5Click”); and Medical Diagnostic Exchange Corporation (“MDX”), its 67% owned subsidiary. Effective July 1, 2003 the Company has also consolidated the financial position and results of ACEnetx Inc. (“ACEnetx”) on the basis that it exercised control over ACEnetx’s assets and operations. The Company’s control of ACEnetx is supported by its position as the senior secured creditor of ACEnetx and its rights under agreements with ACEnetx shareholders as described in Note 8.

(c) Revenue recognition

The Company sells products and services including software development, custom programming, e-commerce service packages, internet based solutions, web hosting, hardware resale and management services. The Company’s principal sources of revenue and recognition of these revenues are as follows:

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue recognition (cont'd)

- (i) Revenue from long-term contracts software development and custom programming are primarily fixed arrangements to render specific consulting and software modification services. The percentage of completion method is applied to these more complex contracts that involve the provision of services relating to the design or building of complex systems, because these services are essential to the functionality of other elements in the arrangement. Under this method, revenue is recognized using the percentage of completion method and is calculated based on actual hours incurred compared to the estimated total hours for the services under the arrangement, so long as significant risks and rewards transferred, future economic benefits expected to flow to the Company and collection can be reasonably assured. If the Company does not have a sufficient basis to measure progress towards completion, revenue is recognized when final acceptance is received by the Company from the customer.
- (ii) Revenue from e-commerce services packages, internet based solutions and web hosting is recognized over the terms of contracts which generally range from one month to twelve months. Amounts billed but not yet earned are recorded as deferred revenue.
- (iii) Revenue from hardware resale is recognized when the equipment is delivered and there are no uncertainties surrounding collection.
- (iv) Revenue from management services is recognized as the services are provided and collectability is reasonably assured.

Recognition of any revenues is subject to the provision that ultimate collection is reasonably assured.

(d) Cash

Cash is comprised of cash held with Canadian financial institutions with an “AA” credit rating.

(e) Accounts receivable

Accounts receivable are carried at the amount due net of an allowance for doubtful accounts. Accounts receivable in US dollars are translated at the closing exchange rate as at March 31, 2016.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts provision at the end of each reporting period for amounts assessed as being uncollectible. The allowance is based on the financial condition of its customers, the aging of the receivables, the current business environment and historical experience.

(g) Property, plant and equipment

Recognition and measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated Amortization and less any accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Major maintenance and repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment (cont'd)

Amortization

Amortization is recognized in profit or loss and is calculated as follows:

IT equipment	- 2 to 3 years straight line
Office equipment	- 5 years straight line
Vehicles	- 30% declining balance
Leasehold improvements	- Straight line over the term of the lease

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(h) Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of operations and comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statements of operations and comprehensive income (loss) on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

(i) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

As at March 31, 2016 there are no provisions.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Income taxes

Income taxes are calculated using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry. Deferred tax assets and liabilities are presented as a non-current item and measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the period in which the change is enacted or substantively enacted.

(k) Comprehensive income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during the year except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in “other comprehensive income” until they are considered appropriate to recognize into net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the consolidated statements of operations and comprehensive income (loss), nor has the Company accumulated other comprehensive income during the periods that have been presented.

(l) Stock-based compensation

Where equity-settled stock options are awarded to employees, the fair value of the stock options are measured at the date of grant using the Black-Scholes option pricing model, and is charged to the consolidated statements of operations and comprehensive income (loss) over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Stock-based compensation (cont'd)

charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statements of operations and comprehensive income (loss) over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in the consolidated statements of operations and comprehensive income (loss) over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in consolidated statements of operations and comprehensive income (loss), unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the stock-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. All equity-settled stock-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black-Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are transferred from contributed surplus to share capital. Management is required to estimate forfeitures and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Foreign currency translation

The reporting and functional currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or

obligations incurred. Revenue and expenses are translated at the average rate of exchange for the period. Gains or losses on translation are included in the consolidated statements of operations and comprehensive income (loss). All resulting exchange differences are recognized in other comprehensive income and accumulated in a cumulative translation reserve under shareholders' equity.

(n) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) and Comprehensive income (loss) by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings (loss) per share by application of the "if converted" method.

(o) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement.

Financial assets are initially measured at fair value and classified into one of the following specified categories: fair value through profit or loss ("FVTPL"), held to-maturity ("HTM"), available for-sale ("AFS") and loans and receivables. HTM instruments and loans and receivables are measured at amortized cost. AFS instruments are measured at fair value with

unrealized gains and losses recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of operations and comprehensive income (loss) for the period.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial instruments (cont'd)

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of operations and comprehensive income (loss) for the period. Other financial liabilities, including borrowings, are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through loss for the year are recognized immediately in the consolidated statements of operations and comprehensive income (loss) for the period.

Financial assets and financial liabilities are offset and reported on the consolidated statements of financial position only if there is an enforceable legal right to offset the recognized amounts, and an intention to realize the asset and settle the liability simultaneously.

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) are based on quoted market prices at the date of the consolidated statement of financial position. The quoted market price used for financial assets held by the Company is the current bid price.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

Financial instruments recognized in the Consolidated Statements of Financial Position Include cash, accounts receivable, accounts payable and accrued liabilities, due to director, GST/HST/QST receivable/payable and deferred revenue. The respective accounting policies are described below.

Cash

Cash consists of cash held in a Canadian financial institution. Cash is classified as held-for-trading and measured at fair value.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial instruments (cont'd)

Accounts receivable

Accounts receivable is initially recognized at the amount expected to be received, less, when material, a discount to reduce the receivable to fair value. Subsequently, accounts receivable are measured at amortized cost using the effective interest method less a provision for impairment. Accounts receivable are classified as loans and receivables.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are initially recognized at fair value and classified as other financial liabilities measured at amortized cost.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
GST/HST/QST receivable/payable	Loans and receivables/other financial liabilities
Deferred revenue	Other financial liabilities

(p) Research and development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss when incurred.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Segmented information

The Company provides medical application software development, e-commerce and internet based solutions to customers providing medical services in Canada, the United States and Sint Maarten where the Company transacts its business. Management has concluded that based on the type of services provided and the fact that its customers are similar in nature, the Company operates in a single operating segment and has one cash generating unit in North America. In addition, management has concluded that the Company operates in three geographic segments. The information to segment the expenses, assets and profit is not separately identifiable by geographic area and therefore disclosure by segment is not appropriate.

(r) Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or is a member of the key management personnel of the reporting entity. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between said parties. Such transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(s) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- a) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- b) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is classified to net loss.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Impairment of financial assets (cont'd)

- c) Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

As at the period end there is no impairment of financial assets.

(t) Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Use of estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Accounts receivable

The estimated fair value for accounts receivable is determined by estimating the uncollectable amount which is recorded in the allowance for doubtful accounts based on the financial condition of its customers, the aging of the receivables, the current business environment and historical experience.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted using the Black-Scholes model. Estimating fair value for share-based payment transactions 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 expected life of the share option, volatility and dividend yield and making assumptions about them.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Government assistance

The Company makes periodic applications for financial assistance under available government incentive programs and tax credits related to the research and development expenditures. The Company recognizes government assistance on an accrual basis when all requirements to earn the assistance have been completed and receipt is reasonably assured. Government assistance is recognized on the balance sheet under tax credits recoverable and accrued as a reduction of research and development expenses. Government assistance relating to research and development expenditures are reflected as a reduction of the cost of research and development expenditures.

(w) New accounting standards and amendments to existing standards

The Company adopted the following new accounting policies effective January 1, 2014:

IAS 32, Financial Instruments: Presentation (“IAS 32”) was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 became effective for annual periods beginning on or after January 1, 2014.

IAS 36, Impairment of Assets (“IAS 36”) was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 became effective for annual periods beginning on or after January 1, 2014.

IFRIC 21, Levies (“IFRIC 21”) was amended by the IASB in June 2013. IFRIC 21 provides guidance on the accounting for levies within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The main features of IFRIC 21 are: (i) the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by legislation, and (ii) the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. IFRIC 21 became effective for annual periods beginning on or after January 1, 2014.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Future Accounting Changes

IFRS 9 (Financial Instruments: Classification and Measurement), effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2017. The Corporation is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

3. CASH

Cash is comprised of cash held with Canadian financial institutions with an “AA” credit rating.

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Cash	<u>\$ 840,988</u>	<u>\$ 905,901</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable is carried at the amount due net of an allowance for doubtful accounts. Accounts receivable in US dollars is translated at the closing exchange rate as at March 31, 2016. As at March 31, 2016, the accounts receivable net of amounts estimated to be uncollectible is \$99,625 (March 31, 2015 - \$419,252).

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Accounts receivable	\$ 216,490	\$ 470,364
Allowance for doubtful accounts	<u>(116,865)</u>	<u>(51,112)</u>
Accounts receivable, net	<u>99,625</u>	<u>419,252</u>

5. PREPAID EXPENSES AND DEPOSIT

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Prepaid expenses and deposit	<u>\$ 10,366</u>	<u>\$ 6,794</u>

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

6. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	IT equipment	Leasehold improvements	Total
Cost	\$	\$	\$	\$
As at July 1, 2014	248,578	1,533,929	53,831	1,836,338
Additions	503	1,128	-	1,631
Disposals	-	-	-	-
As at June 30, 2015	249,081	1,535,057	53,831	1,837,969
Accumulated amortization				
As at July 1, 2014	241,696	1,528,136	53,831	1,823,663
Amortization	1,621	2,119	-	3,740
Disposals	-	-	-	-
As at June 30, 2015	243,317	1,530,255	53,831	1,827,403
Net book value, as at June 30, 2015	5,764	4,802	-	10,566
Cost				
As at July 1, 2015	249,081	1,535,057	53,831	1,837,969
Additions	2,298	-	-	2,298
Disposals	-	-	-	-
As at March 31, 2016	251,379	1,535,057	53,831	1,840,267
Accumulated amortization				
As at July 1, 2015	243,317	1,530,255	53,831	1,827,403
Amortization	1,341	1,201	-	2,542
Disposals	-	-	-	-
As at March 31, 2016	244,658	1,531,456	53,831	1,829,945
Net book value, as at March 31, 2016	6,721	3,601	-	10,322

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

7. DEFERRED REVENUE

Deferred revenue represents the extent that billings to clients are in excess of revenue recognized. The Company's revenue from e-commerce service packages, internet based solutions and web hosting is recognized over the terms of contracts which generally range from one month to twelve months. Amount billed but not earned are recorded as deferred revenue.

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Deferred revenue	<u>\$ 122,510</u>	<u>\$ 120,118</u>

8. BUSINESS COMBINATIONS

Consolidation of ACEnetx. Inc. ("ACEnetx")

In order to expand DXStorm database centre and establish the Company's fibre-optic communication lines, commencing on July 1, 2003, the Company has directed operations of ACEnetx and the use of its assets, in order to preserve the value of its investments in ACEnetx. Accordingly, as of that date, the Company has consolidated the financial position and results of operations of ACEnetx.

The following summarizes the estimated fair value of the assets and liabilities consolidated as of July 1, 2003:

Current assets	\$ 72,809
Capital assets	554,000
Goodwill	349,982
Total assets acquired	<u>976,791</u>
Current liabilities	<u>(820,350)</u>
Interest of ACEnetx shareholders	<u>\$ 156,441</u>

The interest of ACEnetx shareholders represents the proposed issue of 158,021 common shares of the Company in exchange for all of the 7,901,071 issued shares of ACEnetx, on the basis of one common share of the Company for each 50 common shares of ACEnetx. The Company's common shares have been accounted for at the closing price on June 30, 2003 of \$0.99 per share.

As at June 30, 2007, as a consequence of the reduced profitability of the division, the Company undertook a goodwill impairment test that resulted in a write down of ACEnetx's goodwill of \$349,982.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

9. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares.

(b) Issued and outstanding:

	Number	Stated Value
Balance, March 31, 2016 and March 31, 2015	20,729,508	\$11,013,082

(c) Stock options:

	Stock Options	Weighted Average Exercise Price
Balance, March 31, 2016 and March 31, 2015	-	-

(d) Warrants:

As at March 31, 2016 and March 31, 2015 there were no outstanding warrants.

(e) Contributed surplus:

Balance at March 31, 2015	\$1,007,440
Stock based compensation	-
Balance at March 31, 2016	\$ 1,007,440

Included in contributed surplus are stock options and warrants at valuations determined using the Black-Scholes option pricing model.

10. FINANCIAL INSTRUMENTS

The carrying values for primary financial instruments, including cash, accounts receivable, prepaid expenses and deposit, accounts receivable non-current, accounts payable and accrued liabilities, GST/HST/QST receivable/payable and deferred revenue. The Company's exposure to potential loss from financial instruments relates primarily to its cash held with a Canadian financial institution and accounts receivable. There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the period. The objectives and strategy for the development of business operations remains unchanged.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

10. FINANCIAL INSTRUMENTS (cont'd)

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, foreign currency risk, interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework and monitors risk management activities. .

Credit risk

Cash consists of cash deposits held at a Canadian bank. At March 31, 2016 cash deposits were concentrated at major Canadian banks. The carrying amounts of accounts receivable and cash represent maximum credit exposure. The risk is that counterparties have an inability to fulfill their payment obligations. The Company provides an allowance for doubtful accounts as at March 31, 2016 for those accounts receivable balances with doubtful collectability.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, being current assets are less than current liabilities. The Company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions without incurring unacceptable losses, relinquishment of assets or risking harm to the Company's reputation. The Company also utilizes authorizations for expenditures on projects to further manage capital expenditures. The Company's financial liabilities as at March 31, 2016, consist of accounts payable and accrued liabilities and due to liabilities and due to director, and its working capital balance is \$764,164 (June 30, 2015 - \$993,401). The Company manages liquidity risk by monitoring cash flows and budgeting. .

Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, and interest rates will affect the Company's net income or the value of financial instruments. The objective of market risk management is to mitigate risk exposures within acceptable limits, while maximizing returns. The Company currently does not manage market risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain transactions are denominated in United States of America dollars. Foreign exchange (gain) loss for the period ended March 31, 2016 was (\$1,680) and for the period ended March 31, 2015 was (\$29,723). The Company had no forward exchange rate contracts in place as at or during the period ended March 31, 2016 and 2015. The exposure to foreign currency risk is not significant.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

10. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's interest rate risk is minimal as there is no interest-bearing outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Fair value

Fair value is determined using the following methods and assumptions:

The carrying value of cash, accounts receivable, prepaid expenses and deposit, account receivable non-current, accounts payable and accrued liabilities, GST/HST/QST receivable/payable, deferred revenue and due to director approximate their fair value due to the relatively short periods to maturity of these instruments.

All financial instruments that are measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

The Company's only instrument that is carried at fair value is cash and is considered Level 1 in the hierarchy.

Sensitivity analysis

- (i) The Company has the following commitment under agreement entered into before March 31, 2016:

The Company has entered into a "Comprehensive Technology Services Agreement" in place with a company owned by one officer of the Company providing a comprehensive suite of services to the Company. The total commitment under this contract at March 31, 2016 was \$35,000 per month.

. DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

10. FINANCIAL INSTRUMENTS (cont'd)

(ii) Foreign currency risk

The Company believes that if the US dollar appreciated by 10%, the Company's net loss would decrease by approximately \$5,133 and total assets would increase by approximately \$5,133. If the US dollar depreciated by 10%, the Company's net loss would increase by the same amounts. The Company does not manage its foreign currency risk.

11. CAPITAL MANAGEMENT

The Company manages capital, based on its cash and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into software development, custom programming, e-commerce services and other business activities, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the period ended March 31, 2016.

The Company's capital structure reflects a company focused on software development, custom programming and financing both internal and external growth opportunities. The software development and custom programming involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and capital structure based on economic and other conditions. The Company relies on equity financings and earnings through normal business operations to maintain adequate liquidity to support its ongoing software development activities and ongoing working capital commitments.

12. LOSS PER SHARE

Loss per share is calculated on the basis of net loss divided by the weighted average number of common shares outstanding for the period. Diluted loss per share is calculated using the treasury stock method, giving effect to the exercise of all dilutive instruments. The weighted average number of common shares was 20,729,508 (March 31, 2015 – 20,729,508).

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

13. LEASE COMMITMENT

The Company is committed to minimum rental payments under existing leases for premises as follows:

Year	Building Lease Oakville	Building Lease Longueuil	Total
2016	\$120,000	\$48,000	\$168,000
2017	120,000	48,000	168,000
2018	120,000	48,000	168,000
2019	120,000	48,000	168,000
2020	120,000	48,000	168,000
Total	\$600,000	\$240,000	\$840,000

The Company rents buildings in Oakville and Longueuil in Quebec with related parties. The leasing agreements for building in Oakville commenced on January 1, 2011. The leasing agreement for building in Longueuil commenced on May 23, 2011.

14. RELATED PARTY TRANSACTION

- (a) The Company incurred the following transactions with a corporation controlled by an officer and director:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Rent	\$ 90,000	\$ 90,000

The accounts reflect the following balances with a corporation controlled by an officer and director:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Accounts receivable	\$ -	\$ 424
Accounts payable and accrued liabilities	29	37

- (b) For another corporation controlled by an officer and director, the Company has entered into a "Comprehensive Technology Services Agreement" to provide a comprehensive suite of services. The agreement calls for a monthly fee of \$35,000 per month subject to variation based upon the actual level of monthly services rendered. Included in revenue from management services is \$247,164 earned under this agreement for the current period (March 31, 2015 - \$260,018).

In the current period, management expenses incurred under this agreement are \$235,394 (March 31, 2015 - \$247,636).

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

14. RELATED PARTY TRANSACTION (cont'd)

Included in accounts receivables is an amount of \$61,059 receivable to the Company (March 31, 2015 – \$60,243).

- (c) An amount of \$36,000 was incurred during the period and paid to a family member of an officer and director for rent expense (March 31, 2015 - \$36,000).
- (d) A director borrowed \$210,000 under a demand promissory note for a 6 month term with interest payable in the form of a \$10,500 lump sum on May 13, 2016. The loan has been repaid in full on March 21, 2016.

These transactions are in the normal course of business and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. SEGMENTAL REPORTING

The Company's operations and property, plant and equipment are located in Canada. Sales are principally to customers in Canada, the United States and Sint Maarten, with Canadian sales representing approximately 97% of total revenues for the period, and In the US - 3%. The information to segment the expenses, assets and profit is not separately identifiable by geographic area and therefore disclosure by segment is not appropriate.

16. GAIN FROM SETTLEMENT

During fiscal 2007, TDL Group Corp. ("TDL") filed claim in Ontario Superior Court Against the Company and CEO Zoran Popovic, claiming some \$12 million in damages. On April 11, 2007, a counterclaim was filed in Ontario Superior Court by the Company against TDL and a consultant acting for them in the aggregate amount of \$67,670,612 for general damages, \$2,436,979 for special damages and \$1,500,000 for aggravated and punitive damages and other costs. In addition to categorically denying TDL's claims, the Company counterclaims against TDL and this consultant is also for breach of contract, international interference with contractual relations and the misappropriation of know-how and confidential information . In its Statement of Defense and Counterclaim, the Company denies TDL's claims and asserts claims against TDL for breach of a five-year TimCard agreement with the Company, under which the Company would provide a branded quick payment card to Tim Horton's locations across Canada. The Company also claims recovery of two years of expenses for installation and maintenance of a TimCard micro payment system in Tim Horton's locations in Oakville, Ontario.

DXStorm. com Inc.
Notes to the Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2016

16. GAIN FROM SETTLEMENT (cont'd)

On September 25, 2014 a settlement with TDL Group Corp. ("TDL") was reached and the Company received a net amount of \$1,792,005, net of \$350,000 legal expenses.