iSIGN Media Solutions Inc.

Condensed Consolidated Interim Financial Statements
For the Nine Months Ended January 31, 2016 and 2015
(Unaudited)
Expressed in Canadian Dollars

iSIGN MEDIA SOLUTIONS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JANUARY 31 2016 and 2015

Contents

ISIGN MEDIA SOLUTIONS INC.

Notice of no auditor review of the condensed consolidated 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 statement have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of iSIGN Media Solutions Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors.

The Company's independent auditor has not performed a review of these condensed consolidated interim 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.

March 31, 2016

iSIGN Media Solutions Inc.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
Expressed in Canadian Dollars

As at	[Notes]		January 31 2016		April 30 2015
Assets					
Current assets					
Cash		$	9,579	$	6,443
Restricted cash			10,000		17,000
Accounts receivable (net of allowance of $10,570, 2015 - $28,070)			1,354		5,606
Other receivable			62		942
Sales taxes recoverable			92,166		83,028
Inventories	[5,12.vi]		1,252,738		1,081,375
Prepaid expenses and deposits			11,833		21,119
			1,377,732		1,215,513
Non-current assets					
Property and equipment	[6]		34,308		40,836
Intangible assets	[7,12.vi]		4,897,734		2,757,210
Total assets		$	6,309,774	$	4,013,559
Liabilities					
Current liabilities					
Bank overdraft		$	-	$	5,200
Accounts payable and accrued liabilities			1,408,287		1,899,705
Provisions			36,641		36,641
Loan payable	[8,12.iii]		60,000		100,000
Notes payable	[9,12iv]		360,000		-
Deferred revenue			-		27,838
Asset retirement obligations			99,400		99,400
			1,964,328		2,168,784
Total liabilities					
Shareholders' equity					
Share capital	[10.a]		13,156,486		10,794,391
Warrants	[10.d]		3,714,763		3,340,422
Contributed surplus	[11]		6,765,231		6,212,595
Deficit			(19,291,034)		(18,502,633)
Total shareholders' equity			4,345,446		1,844,775
Total liabilities and shareholders' equity		$	6,309,774	$	4,013,559

Going Concern [Note 2]; Commitments and Contingencies [Note 15]

Approved by the board

"A. Romanov" _______________ Director

"B. Reilly" _______________ Director

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

iSIGN Media Solutions Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Nine Months Ended January 31, 2016 and 2015
(Unaudited)
Expressed in Canadian Dollars

	[Notes]	Share Capital Number	Share Capital Amount	Warrants Number	Warrants Amount	Contributed Surplus	Deficit	Total Shareholders' Equity
			$		$	$	$	$
Balance at April 30, 2014		80,563,133	10,475,026	19,566,215	2,991,942	4,655,473	(16,755,228)	1,367,213
Issuance of common shares	[10.a.d.]	9,674,982	189,910	9,566,094	1,348,819	-	-	1,538,729
Warrants exercised	[10.a.d.]	181,516	54,455	-	-	-	-	54,455
Transfer to contributed surplus:								
Ascribed value of exercised warrants	[10.d]			(181,516)	(39,389)	39,389		-
Ascribed value of expired warrants				(5,000,000)	(770,000)	770,000		-
Stock-based compensation	[10.c,11]	-	-	-	-	370,483	-	370,483
Comprehensive loss		-	-	-	-	-	(1,161,190)	(1,161,190)
Balance at January 31, 2015		90,419,631	10,719,391	23,950,793	3,531,372	5,835,345	(17,916,418)	2,169,690
Balance at April 30, 2015		90,919,631	10,794,391	23,102,127	3,340,422	6,212,595	(18,502,633)	1,844,775
Issuance of common shares in asset acquisition	[10.a]	10,000,000	1,989,500	-	-	-	-	1,989,500
Issuance of common shares with warrants	[10.a.d]	4,177,777	116,196	4,177,777	618,444			734,640
Issuance of common shares in exchange for debt	[10.a, 12.viii]	1,774,814	236,399	-	-	-	-	236,399
Options exercised	[10.a]	133,333	20,000	-	-	-	-	20,000
Transfer to contributed surplus:								
Ascribed value of exercised warrants	[10.d]			(1,036,034)	(244,103)	244,103		-
Stock-based compensation	[10.c,11]	-	-	-	-	308,533	-	308,533
Comprehensive loss		-	-	-	-	-	(788,401)	(788,401)
Balance at January 31, 2016		107,005,555	13,156,486	26,243,870	3,714,763	6,765,231	(19,291,034)	4,345,446

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

iSIGN Media Solutions Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)

Expressed in Canadian Dollars

	[Notes]	For the three Months Ended January 31 2015	January 31 2014	For the Nine Months Ended January 31 2015	January 31 2014
Revenues					
Sales		$ 58,694	$ 2,897	$ 92,988	$ 38,324
Service		625	71,715	3,864	229,708
		59,319	74,612	96,852	268,032
Cost of sales		40,674	64,908	44,544	183,760
Gross Profit		18,645	9,704	52,308	84,272
Expenses					
Amortization - intangible assets	[7]	38,428	38,374	115,148	114,970
Depreciation – property and equipment	[6]	2,176	4,142	6,528	12,427
General and administration	[18]	78,900	441,166	708,393	1,045,354
Interest		10,345	6,039	30,814	61,607
Bad debt recovery		(2,500)	(23,825)	(27,500)	(23,825)
Selling and marketing	[17]	1,861	5,483	7,326	34,929
		129,210	471,379	840,709	1,245,462
Loss and comprehensive loss		$(110,565)	$ (461,675)	$ (788,401)	$(1,161,190)
Loss and comprehensive loss per share (basic and diluted)	[13]	(0.001)	(0.005)	(0.008)	(0.0149)
Weighted average number common shares outstanding (basic and diluted)	[13]	107,005,555	89,379,838	99,839,975	82,354,534

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

iSIGN Media Solutions Inc.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
Expressed in Canadian Dollars

For the Nine Months Ended	[Notes]	January 31 2016	January 31 2015
Net (outflow) inflow of cash related to the following activities:			
Operating			
Net loss from continuing operations		$ (788,401)	$ (1,161,190)
Adjustments for non-cash items:			
Depreciation - property and equipment	[6]	6,528	12,427
Amortization - intangible assets	[7]	115,148	114,970
Stock-based compensation	[10.c, 11]	308,533	370,483
Accretion interest - asset retirement obligations		-	23,141
		(358,192)	(640,169)
Net change in non-cash working capital	[16]	(469,605)	(247,971)
Net cash used in operating activities		$ (827,797)	$ (888,140)
Investing			
Additions to intangible assets	[7]	$ (464,406)	$ (582,103)
Net cash used in investing activities		$ (464,406)	$ (582,103)
Financing			
Issuance of common shares	[10.a(v), (vi), (vii)]	$ 724,140	$ 1,593,184
Issuance of common shares in exchange for debt	[10.a (x)]	236,399	-
Exercise of stock options	[10.a (xi)]	20,000	-
Issuance of a convertible note payable	[9]	360,000	-
Retirement of bank indebtedness		(5,200)	-
Repayment of note payable	[8]	(40,000)	-
Note payable converted to common shares		-	(1.500.000)
Issuance of note payable	[8]	-	1,250,000
Net cash provided by financing activities		$ 1,295,339	$ 1,343,184
Cash provided		$ 3,136	$ (127,059)
Cash – beginning of period		6,443	133,802
Cash – end of period		$ 9,579	$ 6,743

Cash is defined as unrestricted bank balances.

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

1. Description of Business

iSIGN Media Solutions Inc. ("iSIGN" or the "Company") was incorporated under the laws of Ontario on May 15, 2007. On April 8, 2008, the Company was listed on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company as defined in the Exchange's Policy 2.4, "Capital Pool Companies". On September 3, 2009, the Company completed its Qualifying Transaction, as defined in the Exchange's policy 2.4, by acquiring all of the issued and outstanding shares of iSIGN Media Corp. ("iSIGN Media"). The Corporation's head office is located at 45A West Wilmot Street, Unit 3 in Richmond Hill, Ontario, L4B 2P2.

iSIGN is a Software-as-a-Service ("SaaS") company that licenses its patented proximity marketing solutions that deliver rich-media, permission based messages to consumers within a scalable 300 foot radius, making the messages relevant and spontaneous. iSIGN's technology, contained within hardware units known as Smart Antennas and Smart Players, utilizes Bluetooth® and Wi-Fi location-aware technology to deliver messaging directly to consumers' mobile devices, free of charge to the recipient. Unlike the iBeacon, there is no requirement for the download of an app in order to receive our messages, and therefore no requirement for the recipient to divulge any private information whatsoever. Device discovery and message statistics are secure and gathered in real-time, stored and analyzed within iSIGN's back office resulting in anonymous, preferential and predictive data. The resulting business intelligence and real-time metrics, gathered by iSIGN's patented solution, delivers insights on consumer preferences that help advertisers measure their efforts and make business decisions, thus enabling advertisers and retailers to increase their ROI and customer loyalty.

iSIGN has moved from the research phase into the development phase of the product life cycle, having proven the iSIGN device technical feasibility as it moves to being available for use and sale. In addition to this, the Company has demonstrated the existence of a market for the data generated from the iSIGN technology. The Company continues to move forward in completing the development phase in order to monetize the data generated through the ongoing use of the iSIGN products.

2. Going Concern

While these consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, certain adverse conditions and events cast substantial doubt upon the validity of this assumption. As at January 31, 2016, the Company has incurred significant losses since its inception in the amount of $19,291,034 (April 30, 2015 - $18,502,633). As at January 31, 2016, the Company reported a working capital deficiency of $586,596 (April 30, 2015 - $953,271).

The Company's ability to continue as a going concern will depend on management's ability to successfully execute its business plan and to raise capital through equity or debt financing until such time as the Company can support its activities through its own cash flow.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and comprehensive loss and the statement of financial position classifications used. The financial statement items most likely to be subject to adjustment would be inventories and intangible assets.

3. Basis of Presentation

Basis of Presentation and Measurement
These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information and footnotes required by the International Financial Reporting Standards ("IFRS") as issued by the IASB for full annual financial statements and

3. Basis of Presentation – continued

should be read in Conjunction with the Company's annual financial statements for the years ended April 30, 2015 and 2014.

These unaudited condensed interim consolidated financial statements have been prepared on a historical basis using the accrual basis of accounting except for available-for-sale financial assets. The policies applied in these consolidated financial statements are based on IFRS and IFRIC policies issued and effective as of January 31, 2016. The accounting policies and methods adopted are consistent with those disclosed in Note 4 to the Company's consolidated financial statements for the years ended April 30, 2015 and April 30, 2014.

These condensed consolidated interim financial statements of the Company for the nine months ended January 31, 2016 and 2015, were approved and authorized for issue by the Audit Committee and the Board of Directors on March 31, 2016.

Basis of Measurement
These consolidated financial statements have been prepared on the basis of historical costs, except for the financial instruments that are measured at fair value through profit or loss.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Critical accounting estimates and judgments
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. Areas of critical accounting estimates and judgments that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are disclosed in note 3 of the Company's consolidated financial statements as at and for the years ended April 30, 2015 and April 30, 2014.

Functional and Presentation Currency
These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, iSIGN Media Corp., iSIGN Media Network Corp. and Pinpoint Commerce Inc. The Company has no interest in special purpose entities.

Subsidiaries are entities that are controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4. Asset Acquisition

On July 10, 2015, the Company completed the purchase of selected assets from Graphic Media, Inc. ("Graphic") and Engage Mobile Media Solutions LLC ("Engage").

The Company issued ten million common shares from treasury in exchange for all of Graphic and Engage's assets that related to the Company's core business of Proximity Marketing. The issued shares have been valued at $2 million.

The assets acquired at the date of acquisition include:

Current Assets		
Inventory (Note 5)	$	208,734
Non Current Assets		
Intangibles (Note 7)		1,791,266
	$	2,000,000

As of the date of these condensed consolidated interim financial statements, the required market valuations and other calculations have not been finalized and the asset fair valuation has only been provisionally determined based on the Company's best estimate of the likely values.

The intangible asset relates to media and advertising lists, contracts and agreements.

5. Inventories

The Company's inventories consist of purchased Smart Antennas.

		January 31, 2016		April 30, 2015
Balance, beginning of period	$	1,081,375	$	158,756
Purchases		-		950,650
Acquired in asset purchase (Note 4)		208,734		-
Transferred to cost of sales		(37,371)		(28,031)
Balance, end of period	$	1,252,738	$	1,081,375

6. Property and Equipment

	Interactive Media Devices	Furniture and Fixtures	Computer Equipment	Digital Signage Equipment	Leasehold Improvements	Total
	$	$	$	$	$	$
Cost						
Balance April 30, 2014	90,144	31,080	46,358	648,260	8,733	824,575
Disposals	(71,734)	-	-	(648,260)	-	(719,994)
Balance April 30, 2015	18,410	31,080	46,358	-	8,733	104,581
Disposals	-	-	-	-	-	-
Balance January 31, 2016	18,410	31,080	46,358	-	8,733	104,581
Accumulated amortization						
Balance April 30, 2014	78,629	9,193	34,122	635,431	2,474	759,849
Depreciation	3,455	2,189	3,670	12,829	1,747	23,890
Disposals	(71,734)	-	-	(648,260)	-	(719,994)
Balance April 30, 2015	10,350	11,382	37,792	-	4,221	63,745
Depreciation	1,813	1,477	1,928	-	1,310	6,528
Balance January 31, 2016	12,163	12,859	39,720	-	5,531	70,273
Net book value						
Balance April 30, 2015	8,060	19,698	8,566	-	4,512	40,836
Balance January 31, 2016	6,247	18,221	6,638	-	3,202	34,308

7. Intangible Assets

	Internally-generated			Other			
	Technology Development Costs	Data Development Costs	Patents	Trademarks	Digital Signage Contracts POS Data	Deferred Share-based Payment	Total
	$	$	$	$	$	$	$
Cost							
Balance April 30, 2014	657,401	716,907	50,860	1,350	999,098	750,000	3,175,616
Additions	454,611	584,189	17,941	-	-	-	1,056,741
Disposals	-	-	-	-	(999,098)	-	(999,098)
Balance April 30, 2015	1,112,012	1,301,096	68,801	1,350	-	750,000	3,233,259
Additions	57,750	401,497	5,159	-	1,791,266	-	2,255,672
Disposals	-	-	-	-	-	-	-
Balance January 31, 2016	1,169,762	1,702,593	73,960	1,350	1,791,266	750,000	5,488,931
Accumulated amortization							
Balance April 30, 2014	-	-	2,509	1,350	999,098	318,750	1,321,707
Amortization	-	-	3,440	-	-	150,000	153,440
Disposals	-	-	-	-	(999,098)	-	(999,098)
Balance April 30, 2015	-	-	5,949	1,350	-	468,750	476,049
Amortization	-	-	2,648	-	-	112,500	115,148
Balance January 31, 2016	-	-	8,597	1,350	-	581,250	591,197
Net book value							
Balance April 30, 2015	1,112,012	1,301,096	62,852	-	-	281,250	2,757,210
Balance January 31, 2016	1,169,762	1,702,593	65,363	-	1,791,266	168,750	4,897,734

8. Note Payable

On July 25, 2014, the Company and Korona Group Inc, agreed to sign a demand promissory note payable to Korona Group Inc, in the amount of $600,000 that would constitute full payment of advances and payment to amounts owing to QDAC Inc., plus related interest. The note carries interest at 8% and is convertible for three months from the date of issue into units consisting of one common shares of the Company at a price payable of $0.25 per share and one common share purchase warrant, which is exercisable into one common share of the Company for a period of two years at an exercise price of $0.50 per warrant (Note 12.iii).

8. Notes Payable – continued

On July 25, 2014, the Company entered into demand promissory notes in the amount of $900,000 that carry interest at 8% per annum and are convertible for three months from the date of issue into units consisting of one common share of the company at a price payable of $0.25 per share and one common share purchase warrant, which is exercisable into one common share of the Company for a period of two years at an exercise price of $0.50 per warrant (Note 12.iii).

On March 13, 2015, the Company entered into a secured $100,000 note with Korona Group Ltd., at an interest rate of 8% compounded monthly, due and payable July 30, 2015 (Note 12.iii).

On June 29, 2015, the Company repaid $40,000 against the outstanding $100,000. The note holder has agreed to extend the July 31, 2015 due date to April 30, 2016 (Note 12.iii).

9. Convertible Note Payable

On May 7, 2015, the Company entered into a secured convertible promissory note in the amount of $360,000 due May 7, 2016 and bearing an interest rate of 10% to a company controlled by two shareholders, both of whom are considered to be insiders of the Company, due to ownership in excess of 10% of the common shares of the Company (Note 12.iv).

10. Share Capital

a. Common Shares

Common shares issued

	[Notes]	Number	Amount
Balance April 30, 2014		80,563,133	$ 10,475,026
Issuance in a private placement	10.a.(i)	108,888	19,600
Exercise of options	10.a.(ii)	500,000	75,000
Issuance in conversion of notes payable	10.a.(iii)	9,566,094	181,756
Exercise of warrants	10.a.(iv)	181,516	54,455
Cost of share issuances			(11,446)
Balance April 30, 2015		90,919,631	$ 10,794,391
Issuance in private placement	10.a.(v)	677,777	31,856
Issuance in private placement	10.a.(vi)	500,000	24,500
Issuance in private placement	10.a.(vii)	2,000,000	50,200
Issuance in private placement	10.a.(ix)	1,000,000	47,000
Issuance in payment of asset acquisitions	10.a.(viii)	10,000,000	2,000,000
Issuance in exchange for debt	10.a.(x)	1,774,814	239,600
Exercise of options	10.a.(xi)	133,333	20,000
Cost of share issuances		-	(51,061)
Balance January 31, 2016		107,005,555	$ 13,156,486

i. During October 2014, the Company completed a private placement of 108,888 shares at a price of $0.18 for proceeds of $19,600 less the cost of issuance for a net cash flow of $18,752.
ii. During the year ended April 30, 2015, 500,000 stock options were exercised, for proceeds of $75,000.

10. Share Capital – continued

iii. During November 2014, the Company converted Notes payable and related interest into 9,566,094 shares and 9,566,094 warrants, at a price of $0.24 for proceeds of $1,530,575 (common share fair value of $181,756 and warrant fair value of $1,348,819) less the cost of issuance for a net cash flow of $1,519,977.
iv. During the year ended April 30, 2015, 181,516 warrants were exercised, for proceeds of $54,455 and an ascribed value of $39,389 (Note 10.d).
v. During May 2015, the Company completed a private placement of 677,777 shares and 677,777 warrants, at a price of $0.18, for proceeds of $122,000 (common share fair value of $31,856 and warrant fair value of $90,144) less the cost of issuance for a net cash flow of $120,140.
vi. During June 2015, the Company completed a private placement of 500,000 shares and 500,000 warrants, at a price of $0.20, for proceeds of $100,000 (common share fair value of $24,500 and warrant fair value of $75,500) less the cost of issuance for a net cash flow of $98,250.
vii. During June 2015, the Company completed a private placement of 2,000,000 shares and 2,000,000 warrants, at a price of $0.20, for proceeds of $400,000 (common share fair value of $50,200 and warrant fair value of $349,800) less the cost of issuance for a net cash flow of $368,750.
viii. During July 2015, the Company issued 10,000,000 shares, valued at $0.20 to complete the purchase of selected assets from Graphic Media, Inc. and Engage Mobile Media Solutions LLC, with a fair market value of $2,000,000, with a cost of issuance of $10,500 (Note 4).
ix. During October 2015, the Company completed a private placement of 1,000,000 shares and 1,000,000 warrants, at a price of $0.15, for proceeds of $150,000 (common share fair value of $47,000 and warrant fair value of $103,000) less the cost of issuance for a net cash flow of $148,000.
x. During August 2015, the Company completed a shares for debt transaction with its Directors, wherein 1,774,814 shares were issued, at a price of $0.135 in exchange for forgiveness of directors' fees totaling $239,600.
xi. During the nine months ended January 31, 2016, 133,333 stock options were exercised for proceeds of $20,000.

b. Compensation Based Options

On March 13, 2015, the shareholders of the Company ratified a Stock Option Plan (the "Plan") which is administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding common shares. The Plan is a rolling plan such that the number of shares reserved for issuance will increase as the Company's issued and outstanding common shares increases. Options granted under the Plan are exercisable for a period up to five years, as determined by the Board, from the date of the grant. The exercise price of the options shall be determined by the Board at the time of the grant, but shall not be less than the Discounted Market Price as set by the TSX Venture Exchange Policy 1.1 as amended from time to time. The options are subject to several vesting periods as outlined in the Plan.

The granting of options is subject to the following conditions: (a) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders; (b) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders or issued to insiders within any one year period; (c) not more than 5% of the issued and outstanding common shares may be granted to any one individual in a one year period; (d) not more than 2% of the issued and outstanding common shares may be granted to any one consultant in any one year period; and (e) not more than an aggregate 2% of the issued and outstanding issued and outstanding common shares may be granted to an employee conducting investor relations activities in any one year period.

10. Share Capital – continued

c. Stock Options

A summary of the stock options outstanding and exercisable under the plan as of January 31, 2016 and April 30, 2015 and changes during the periods are as follows:

	[Notes]	Options		Weighted Price
Options outstanding at April 30, 2014		7,888,333	$	0.22
Granted		550,000		0.21
Exercised	10.a.(ii)	(500,000)		0.15
Cancelled		(948,333)		(0.26)
Options outstanding at April 30, 2015		6,990,000	$	0.22
Granted		1,750,000		0.26
Exercised	10.a.(xi)	(133,333)		0.15
Cancelled		(150,000)		(0.22)
Options outstanding at January 31, 2016		8,456,667	$	0.23

		Options		Weighted Price
Options exercisable at April 30, 2014		4,542,502	$	0.25
Vested during the period		2,762,502		0.21
Cancelled during the period		(948,333)		0.26
Exercised during the year	10.a.(ii)	(500,000)		0.15
Options exercisable at April 30, 2015		5,856,671	$	0.24
Vested during the period		1,799,997		0.21
Cancelled		(50,001)		0.22
Exercised during the period	10.a.(xi)	(133,333)		0.15
Options exercisable at January 31, 2016		7,473,334	$	0.23

10. Share Capital – continued

c. *Stock Options – continued*

The following table summarizes additional disclosures on the stock options outstanding at January 31, 2016:

	Options Outstanding		Options Exercisable				
Exercise Price	Number Outstanding	Remaining Average Life (Mths)	Number Outstanding	Remaining Average Life (Mths)	Fair Value at Time of Issue Not yet Expired	Expensed to 31-Jan-16	Not Expensed at 31-Jan -16
$ 0.250	125,000	2.0	125,000	2.0	$ 29,875	$ 29,875	$ -
0.400	250,000	3.0	250,000	3.0	97,250	97,250	-
0.450	200,000	3.5	200,000	3.5	87,800	87,800	-
0.310	100,000	10.0	100,000	10.0	28,400	28,400	-
0.230	290,000	11.5	290,000	11.5	144,500	144,500	-
0.205	500,000	29.5	500,000	29.5	102,000	102,000	-
0.150	866,667	34.0	866,667	34.0	240,000	240,000	-
0.200	2,575,000	34.5	2,575,000	34.5	473,800	473,800	-
0.260	1,250,000	38.0	1,250,000	38.0	317,500	317,500	-
0.235	250,000	42.0	166,667	42.0	58,750	39,167	19,583
0.18	300,000	51.0	300,000	51.0	49,500	49,500	-
0.260	1,750,000	52.5	850,000	52.5	292,250	141,950	150,300
	8,456,667		7,473,334		$ 1,921,625	$ 1,751,742	$ 169,883

During the nine month period ended January 31, 2016 the Company recognized $308,533 in stock-based compensation expense to directors, employees and consultants (January 31, 2015 - $370,483) under general and administrative expenses. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.02% (January 31, 2015 – 1.52%); expected dividend yield of $Nil (January 31, 2015 - $Nil); estimated volatility of 115.3% (January 31, 2015 – 498.3%) and an expected option life of two and a half years (January 31, 2015 – two and a half years).

10. Share Capital – continued

d. Warrants

	[Notes]	Warrants Number		Amount
Balance April 30, 2014		19,566,215	$	2,991,942
Issuance in a private placement	10.a.(iii)	9,566,094		1,348,819
Exercise of warrants	10.a (iv)	(181,516)		(39,389)
Expiry of warrants	10.d.(i)	(5,848,666)		(960,950)
Balance April 30, 2015		23,102,127	$	3,340,422
Issuance in private placements	10.a.(v, vi, vii, ix)	4,177,777		618,444
Expiry of warrants	10.d.(ii)	(1,036,034)		(244,103)
Balance January 31, 2016		26,243,870	$	3,714,763

i. During the year ended April 30, 2015, 5,848,666 warrants valued at $960,950 expired without being exercised and were transferred to contributed surplus.
ii. During the nine months ended January 31, 2016, 1,036,034 warrants valued at $244,103 expired without being exercised and were transferred to contributed surplus.

The following tables summarize information about stock warrants outstanding at January 31, 2016:

Issued	Number		Weighted Average Exercise Price	Expiry Date
Mar 23, 2012	3,000,000	$	0.50	Mar 23, 2017
Nov 7, 2013	9,499,999		0.45	Nov 7, 2017
Nov 11, 2014	9,566,094		0.24	Nov 11, 2016
May 11, 2015	677,777		0.27	May 11, 2017
June 3, 2015	500,000		0.30	June 3, 2017
June 5, 2015	2,000,000		0.30	June 5, 2017
Oct 6, 2015	1,000,000		0.225	Oct 6, 2017
Balance October 31, 2015	26,243,870	$	0.35	

Number of Warrants Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Life (months)
3,000,000	$	0.50	13.5
9,499,999		0.45	21.0
9,566,094		0.24	9.5
677,777		0.27	15.5
2,500,000		0.30	16.0
1,000,000		0.30	20.0
26,243,870	$	0.35	

11. Contributed Surplus

Contributed surplus resulted from the following:

	[Notes]		Amount
Balance at April 30, 2014		$	4,655,473
Amounts resulting from share-based compensation	10.c.		556,783
Ascribed value of exercised warrants	10.a (iv)		39,389
Ascribed value of expired warrants	10.d.(i)		960,950
Balance at April 30, 2015		$	6,212,595
Amounts resulting from share-based compensation	10.c.		308,533
Ascribed value of expired warrants	10.d.(ii)		244,103
Balance at January 31, 2016		$	6,765,231

12. Related Party Transactions and Balances

All related party transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by both parties. In the normal course of operations, the Company:

i. Recorded the fees of the Chief Executive Officer to a company owned by him. During the nine month period ended January 31, 2016, the Company expensed fees totaling $135,000 (January 31, 2015 – $135,000) and fixed allowances of $13,320 (January 31, 2015 – $12,150). During the nine month period ended January 31, 2015, $74,160 (January 31, 2015 - $63,830) of these fees and expenses were capitalized to Data Development Costs and $Nil (January 31, 2015 - $9,810) were capitalized to Patents. The amount outstanding in trade accounts payable at January 31, 2016 was $172,070 (January 31, 2015 - $Nil). In the event of termination of this agreement for any reason other than just cause, a penalty of $180,000 would be owing. In addition, the Company accrued a monthly salary directly to the CEO for his services in connection with its US operations based out of the Company's office in Florida USA of $6,000 US per month amounting to $72,292 Cdn. for the nine months ended January 31, 2016 (January 31, 2015 - $61,517 Cdn.). At January 31, 2016, $179,749 Cdn. is unpaid and included in accounts payable and accrued liabilities (January 31, 2015 - $122,685 Cdn.).

ii. Recorded the fees of the Chief Financial Officer to a company controlled by him. During the nine month period ended January 31, 2016, the Company expensed fees totaling $27,000 (January 31, 2015 - $27,000). The amount outstanding in trade accounts payable at January 31, 2016 was $44,070 (January 31, 2015 - $Nil).

iii. On February 24, 2014, the Company entered into a secured $250,000 note with Korona Group Ltd., a shareholder of the Company at an interest rate of 8% due and payable May 30, 2014. In June and July 2014, the same lender advanced an additional $100,000, under the same terms and conditions. As of July 25, 2014, accrued interest on the outstanding balance of $350,000 was $8,636. Further, the lender advanced an additional $241,364 on July 25, 2014. The Company signed a new demand promissory note payable to Korona Group Ltd. in the amount of $600,000 that would constitute full payment of the initial advances and interest. This note carried interest at 8%, convertible for three months from the date of issue into units consisting of one common share of the company and one common share purchase warrant (Note 8).

12. Related Party Transactions and Balances - continued

iii. On July 25, 2014, the Company issued demand promissory notes in the amount of $650,000 and $250,000, at an interest rate of 8%, convertible for three months from the date of issue into units consisting of one common share of the company and one common share purchase warrant.

On November 11, 2014, at the option of the lenders, the Company converted these three notes and the accrued interest of $30,575 into units consisting of one common share priced at $0.16 per share and one common share purchase warrant, exercisable into one common share of the Company at an exercise price of $0.24 per share for a period of two years (Note 10.a.(iii)).

On March 13, 2015, the Company entered into a secured $100,000 note with Korona Group Ltd., at an interest rate of 8% compounded monthly, due and payable July 30, 2015 (Note 8).

On June 15, 2015, the Company repaid $40,000 to the note holder. The Company and the note holder agreed to extend the Note to April 30, 2016 (Note 8).

iv. On May 7, 2015, the Company issued a secured convertible promissory note in the amount of $360,000, due May 7, 2016 and bearing an interest rate of 10%, to a company controlled by two shareholders, both of whom are considered to be insiders of the Company due to ownership in excess of 10% of the common shares of the Company (Note 9).

v. During the nine months ended January 31, 2016, the Company accrued and expensed directors fees of $108,000 (January 31, 2015 – $150,000). Included in accounts payable and accrued liabilities are unpaid directors fees at January 31, 2016 of $106,900 (January 31, 2015 – $185,500).

vi. Contracted with QDAC Inc., a company under the significant influence of an insider of the Company, to undertake technology development. During the nine month period ended January 31, 2016, development costs of $Nil (January 31, 2015 – $39,000) were capitalized to Technology Development Costs. The Company also contracted with QDAC Inc., to undertake the manufacture of the Company's hardware. During the nine month period ended January 31, 2016, the Company took delivery of Smart Antenna inventory valued at $Nil (January 31, 2015 - $950,650). The amount outstanding in trade accounts payable at January 31, 2016 was $453,617 (January 31, 2015 - $697,990).

vii. Incurred share-based non-cash compensation costs relating to the vesting of granted stock options to the Board. During the nine month period ended January 31, 2016, the Company expensed $308,533 (January 31, 2015 - $370,483).

viii. On August 25, 2015, the Company issued 1,774,814 common shares to the Board in exchange for debt forgiveness of Directors' fees totaling $239,600.

ix. Compensation of key management personnel and board of directors for the nine months ended January 31, 2016 and 2015:

	2016	2015
Wages and director fees	$ 315,292	$ 346,517
Benefits	9,880	12,150
Share based compensation (non-cash)	308,533	370,483
	$ 633,705	$ 729,150

13. Loss per Share

Basic loss per share is calculated on the basis of the weighted average number of common shares outstanding for the period, which, for the nine month period ended January 31, 2016, amounted to 99,839,975 (January 31, 2015 – 82,354,534). For the periods presented, all stock options and warrants are anti-dilutive; therefore, diluted loss per share is equal to the basic loss per share.

The following instruments have been excluded from the diluted earnings per share as these instruments are anti-dilutive:

	For the nine months ended January 31	
	2016	**2015**
Stock options	8,456,667	6,983,333
Warrants	26,243,870	23,950,793
	34,700,537	30,934,126

14. Financial Instruments and Risk Management

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. When the independent prices are not available, fair values are determined using valuation techniques that refer to observable market data.

These techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants

Fair value

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments:

i. The carrying amounts of cash, restricted cash, accounts receivable, other receivables, bank indebtedness, accounts payable and accrued liabilities and note payable approximate fair value due to the short-term maturity of these financial instruments.

ii. Cash and restricted cash have been valued using a level 1 fair value hierarchy. The Company's other financial instruments are level 2 in the fair value hierarchy.

Credit risk

Credit risk is the risk of financial loss associated with the counterparty's inability to fulfill its payment obligations in accordance with the terms and conditions of its contract with the Company. Credit risk arises from cash and deposits with banks as well as credit exposure to outstanding receivables.

The Company's credit risk arises primarily from the Company's trade receivable. The carrying amount of financial assets represents the maximum credit exposure to the Company. The Company's exposure to trade credit risk as at January 31, 2016 was $1,354 (April 30, 2015 - $5,606) net of allowances.

14. Financial Instruments and Risk Management – continued

Credit risk - continued

The Company may also have credit risk relating to cash and restricted cash, of $9,579 and $10,000 (April 30, 2015 - $6,443 and $17,000), respectively, which it manages by dealing with highly rated financial institutions

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting its obligations that are associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial obligations when they fall due, from its funding sources, such as equity and debt issuances. The Company continues to actively pursue new equity financing to ensure that it will have funds available to meet liabilities when they fall due. The following table represents the Company's financial liabilities identified by type and future contractual dates of payment:

	Total	Under 1 Year	1 – 3 Years	After 3 Years
Trade accounts payable and accrued liabilities	$ 1,408,287	$ 1,408,287	$ -	$ -
Note payable	60,000	60,000	-	-
Convertible note	360,000	360,000	-	-
Asset retirement obligations	99,400	99,400		
	$ 1,927,687	$ 1,927,687	$ -	$ -

15. Commitments and Contingencies

Rental and operating leases

The Company currently has lease arrangements for the rental of its offices in Richmond Hill, Ontario, Canada and Clearwater, Florida, United States. The minimum annual lease payments under annual rental and operating leases exclusive of operating costs are as follows:

	Amount
Fiscal 2016	$ 13,469
Fiscal 2017	36,256
Fiscal 2018	12,762
	$ 62,487

Contingencies and provisions

From time to time, the Company enters into software licensing agreements with a client/business partners whereby the Company has agreed to indemnify the counterparties for liabilities that may arise during the terms of the agreements. The maximum amount of any potential future payment cannot be reasonably estimated and it is not practicable to estimate the financial effects on its consolidated financial statements.

15. Commitments and Contingencies - continued

Contingencies and provisions - continued

In the ordinary course of business, the Company and its subsidiaries are involved in legal claims and counter claims, as defendants or plaintiffs. The Company has evaluated its legal actions and has estimated potential settlements and legal costs based on the current information and have accrued a provision based on management's estimate of potential outcomes. It is management's opinion that any additional liability to the Company that may arise from these matters will not have a material effect upon the operating results, financial position or cash flows of the Company.

In the ordinary course of business, the Company estimates provisions for future obligations to install equipment that has no scheduled installation date.

16. Net Change in Non-Cash Working Capital

	For the nine mth period ended January 31	
	2016	**2015**
Net change in non-cash working capital balances:		
Restricted cash	$ 7,000	$ -
Accounts receivable	4,252	31,925
Other receivable	880	7,260
Sales taxes recoverable	(9,138)	85,271
Inventories	37,371	(948,097)
Prepaid expenses and deposits	9,286	78,564
Accounts payable and accrued liabilities	(491,418)	789,041
Provision	-	(147,562)
Asset retirement obligations	-	(81,012)
Deferred revenue	(27,838)	(63,361)
	$ (469,605)	$ (247,971)

17. Selling and Marketing

	For the nine month period ended January 31			
	2016		**2015**	
Travel, tradeshows and promotional	$ 6,579	89.8%	$ 799	2.3%
Third party commissions	-	-	30,487	87.3%
Contractual services	-	-	3,000	8.6%
Other	747	10.2%	643	1.8%
Total - Selling and marketing	$ 7,326	100.0%	$ 34,929	100.0%

18. General and Administration

	For the nine month period ended January 31					
		2016			2015	
Salaries	$	41,860	5.9%	$	66,503	6.3%
Benefits		3,806	0.5%		5,928	0.6%
Contractual services		199,545	28.2%		183,142	17.5%
Share-based compensation		308,533	43.6%		370,483	35.4%
Travel and auto		10,305	1.5%		8,951	0.9%
Office costs		47,945	6.8%		56,258	5.4%
Occupancy and operating costs		40,550	5.7%		42,187	4.0%
Professional		92,926	13.1%		140,386	13.4%
Consulting		35,460	5.0%		88,377	8.5%
Directors' fees		108,000	15.2%		150,000	14.4%
Other income		(180,537)	(25.5)%		(66,861)	(6.4)%
Total - General and administration	$	708,393	100.0	$	1,045,354	100.0%

19. Capital Management

The Company has adopted a financial concept of capital whereby capital is considered to be synonymous with the net assets or equity of the Company. When managing its capital the Company seeks to ensure it has sufficient liquidity to pursue its strategy for organic growth in combination with strategic acquisitions, in order to provide competitive returns for its shareholders.

The total of its shareholders' equity was as follows:

	As at January 31, 2016	As at April 30, 2015
	$ 4,345,446	$ 1,844,775

The Company manages its capital structure and makes adjustments to it in light of general economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long-term debt, convertible debentures, issue shares, repurchase shares through a normal course issuer bid and pay dividends. The Board of Directors reviews and approves any material transactions not in the ordinary course of business, which may include various acquisition proposals, as well as capital and operating budgets. The Company is not subject to any externally imposed capital requirements.

20. Subsequent Event

The Company announced on March 30, 2016 that a financing agreement had been signed with Mackie Research Capital Corporation for a $3.5 million Convertible Debenture. This convertible debenture will consist of s secured subordinated debentures, each with a face value of $1,000, bearing interest at 10% per annum, convertible into iSIGN's common shares at a price of $0.20; and 1,333 warrants. Each warrant allows for the acquisition of one common share, at an exercise price of $0.30 for a period of 36 months following the close of this financing. The closing is to be on or about the week of April 24, 2016.