iSIGN Media Solutions Inc.

Condensed Consolidated Interim Financial Statements
For the Six Months Ended October 31, 2016 and 2015
Expressed in Canadian Dollars

iSIGN MEDIA SOLUTIONS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 2016 and 2015

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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.

December 22, 2016

iSIGN Media Solutions Inc.

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

	[Notes]	October 31, 2016	April 30, 2016
Assets			
Current assets			
Cash		$ 101,636	$ 4,758
Restricted cash		10,000	10,000
Accounts receivable		3,077	1,159
Other receivables		79,035	-
Sales taxes recoverable		90,667	94,496
Inventories	[4,11.vi]	1,258,264	1,270,239
Prepaid expenses and deposits		10,974	13,980
		1,553,618	1,394,632
Non-current assets			
Property and equipment	[5]	27,146	30,389
Intangible assets	[6]	3,846,666	4,102,639
		3,873,812	4,133,028
Total assets		$ 5,427,430	$ 5,527,660
Liabilities			
Current liabilities			
Bank Indebtedness		$ -	$ 17,000
Accounts payable and accrued liabilities	[11]	2,116,405	1,889,110
Advances	[11.xiii]	91,000	93,000
Provisions		99,400	99,400
Note payable	[7, 11.iii]	60,000	60,000
Convertible notes payable	[8, 11.iv,x, xi, xii]	568,000	360,000
Total liabilities		2,934,805	2,518,510
Non-current liabilities			
Convertible note payable	[8, 11iv]	360,000	-
Total liabilities		3,294,805	2,518,510
Shareholders' equity			
Share capital	[9.a]	13,310,406	13,235,286
Warrants	[9.d]	3,685,963	3,685,963
Contributed surplus	[10]	6,939,898	6,776,231
Deficit		(21,803,642)	(20,688,330)
Total shareholders' equity		2,132,625	3,009,150
Total liabilities and shareholders' equity		$ 5,427,430	$ 5,527,660

Going Concern [Note 2]; Commitments and Contingencies [Note 13]

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 Six Months Ended October 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, 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 business combination	[9.a]	10,000,000	1,989,500	-	-	-	-	1,989,500
Issuance of common shares with warrants	[9.a,d]	4,177,777	116,196	4,177,777	618,444	-	-	734,640
Issuance of common shares in exchange for debt	[9.a]	1,774,814	236,399	-	-	-	-	236,399
Options exercised	[9.a]	133,333	20,000	-	-	-	-	20,000
Transfer to contributed surplus:								
Ascribed value of exercised warrants		-	-	(1,036,034)	(244,103)	244,103	-	-
Share-based compensation	[9.c]	-	-	-	-	228,533	-	228,533
Comprehensive loss		-	-	-	-	-	(677,836)	(677,836)
Balance at October 31, 2015		107,005,555	13,156,486	26,243,870	3,714,763	6,685,231	(19,180,469)	4,376,011
Balance at April 30, 2016		107,005,555	13,235,286	26,443,870	3,685,963	6,776,231	(20,688,330)	3,009,150
Issuance of common shares in exchange for debt	[9.a]	584,614	75,120	-	-	-	-	75,120
Transfer to contributed surplus:								
Share-based compensation	[9.c]	-	-	-	-	163,667	-	163,667
Comprehensive loss		-	-	-	-	-	(1,115,312)	(1,115,312)
Balance at October 31, 2016		107,590,169	13,310,406	26,443,870	3,685,963	6,939,898	(21,803,642)	2,132,625

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 October 31 2016	October 31 2015	For the Six Months Ended October 31 2016	October 31 2015
Revenues					
Sales		$ 11,372	$ 6,448	$ 25,113	$ 34,294
Service		-	119	9,846	3,239
		11,372	6,567	34,959	37,533
Cost of sales		7,391	(2,073)	15,911	3,870
Gross Profit		3,981	8,640	19,048	33,663
Expenses					
Amortization - intangible assets	[7]	222,488	39,220	444,973	76,720
Depreciation – property and equipment	[6]	1,622	3,626	3,243	4,352
General and administration	[18]	230,377	208,599	661,630	629,493
Interest		13,597	10,330	24,014	20,469
Bad debt recovery		-	(15,000)	-	(25,000)
Selling and marketing	[17]	251	2,369	500	5,465
		468,335	249,144	1,134,360	711,499
Loss and comprehensive loss		$(464,354)	$ (240,504)	$(1,115,312)	$ (677,836)
Loss and comprehensive loss per share (basic and diluted)	[13]	(0.004)	(0.002)	(0.010)	(0.007)
Weighted average number common shares outstanding (basic and diluted)	[13]	109,590,169	105,803,430	107,149,032	95,367,327

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

Expressed in Canadian Dollars

	[Notes]		2016		2015
Net (outflow) inflow of cash related to the following activities:					
Operating					
Net loss and comprehensive loss from continuing operations		$	(1,115,312)	$	(677,836)
Adjustments for non-cash items:					
Depreciation - property and equipment	[5]		3,243		4,352
Amortization - intangible assets	[6]		444,973		76,720
Stock-based compensation	[9.c]		163,667		228,533
			(503,429)		(368,231)
Net change in non-cash working capital	[14]		165,187		(509,148)
Net Cash used in Operating Activities		$	(338,242)	$	(877,379)
Investing					
Additions to intangible assets	[6]		(189,000)		(341,714)
Net Cash used in Investing Activities		$	(189,000)	$	(341,714)
Financing					
Issuance of common shares and warrants	[9.a.i,ii,iii,v]	$	-	$	724,140
Issuance of common shares in exchange for debt	[9.a.vi,viii,ix]		75,120		236,399
Exercise of stock options	[9.a.vii]		-		20,000
Advances	[11.xiii]		(2,000)		-
Retirement of bank indebtedness			(17,000)		(5,200)
Issuance of convertible notes	[8]		568,000		360,000
Repayment of note payable	[7]		-		(40,000)
Net Cash provided by Financing Activities		$	624,120	$	1,295,339
Cash provided		$	96,878	$	76,246
Cash – beginning of period			4,758		6,443
Cash – end of period		$	101,636	$	82,689

Cash is defined as unrestricted bank balances.

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, utilizes Bluetooth® and Wi-Fi location-aware technology to deliver messaging directly to consumers' mobile devices, free of charge to the recipient. Unlike other Proximity Marketing devices, 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.

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 October 31, 2016, the Company has incurred significant losses since its inception in the amount of $21,803,642 (April 30, 2016- $20,688,330). As at October 31, 2016, the Company reported a working capital deficiency of $1,381,187 (April 30, 2016 - $1,123,878).

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 should be read in Conjunction with the Company's annual financial statements for the years ended April 30, 2016 and 2015.

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 condensed consolidated financial statements are based on IFRS and IFRIC policies issued and effective as of

3. Basis of Presentation - continued

Basis of Presentation and Measurement - continued

October 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, 2016 and April 30, 2015.

These condensed consolidated interim financial statements of the Company for the six months ended October 31, 2016 and 2015, were approved and authorized for issue by the Audit Committee and the Board of Directors on December 22, 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, 2016 and April 30, 2015.

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. Inventories

The Company's inventories consist of purchased Smart Antennas.

	Notes	October 31, 2016	April 30, 2015
Balance beginning of period		$ 1,270,239	$ 1,081,375
Purchases		-	-
Transferred from property and equipment	10	-	1,742
Acquired in business combination	6	-	285,000
Transferred to cost of sales		(11,975)	(97,878)
Balance end of period		$ 1,258,264	$ 1,270,239

5. Property and Equipment

	Smart Antennas	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
	$	$	$	$	$
Cost					
Balance April 30, 2015	18,410	31,080	46,358	8,733	104,581
Transfer to inventory	(5,977)	-	-	-	(5,977)
Balance April 30, 2016	12,433	31,080	46,358	8,733	98,604
Transfer to inventory	-	-	-	-	-
Balance October 31, 2016	12,433	31,080	46,358	8,733	98,604
Accumulated amortization					
Balance April 30, 2015	10,350	11,382	37,792	4,221	63,745
Depreciation	2,418	1,970	2,570	1,747	8,705
Transfer to inventory	(4,235)	-	-	-	(4,235)
Balance April 30, 2016	8,533	13,352	40,362	5,968	68,215
Depreciation	585	886	899	873	3,243
Balance October 31, 2016	9,118	14,238	41,261	6,841	71,458
Net book value					
Balance April 30, 2015	3,900	17,728	5,996	2,765	30,389
Balance October 31, 2016	3,315	16,842	5,097	1,892	27,146

6. Intangible Assets

	Internally-generated			Other		
	Technology Development Costs	Data Network Development Costs	Patents	Reacquired Rights	Deferred Share-based Payment	Total
	$	$	$	$	$	$
Cost						
Balance April 30, 2015	1,112,012	1,301,096	68,801	-	750,000	3,231,909
Additions	75,000	500,739	5,159	1,600,000	-	2,180,898
Balance April 30, 2016	1,187,012	1,801,835	73,960	1,600,000	750,000	5,412,807
Additions	-	189,000	-	-	-	189,000
Balance Oct 31, 2016	1,187,012	1,990,835	73,960	1,600,000	750,000	5,601,807
Accumulated amortization						
Balance April 30, 2015	-	-	5,949	-	468,750	474,699
Amortization	129,044	-	3,698	552,727	150,000	835,469
Balance April 30, 2016	129,044	-	9,647	552,727	618,750	1,310,168
Amortization	19,033	-	1,849	349,091	75,000	444,973
Disposals	-	-	-	-	-	-
Balance Oct 31, 2016	148,077	-	11,496	901,818	693,750	1,755,141
Net book value						
Balance April 30, 2016	1,057,968	1,801,835	64,313	1,047,273	131,250	4,102,639
Balance Oct 31, 2016	1,038,935	1,990,835	62,464	698,182	56,250	3,846,666
Remaining amortization period (in months)	to be determined to 133	to be determined	137 to 230	12.0	4.5	

7. Note Payable

On June 29, 2015, the Company repaid $40,000 against a $100,000 note with Korona Group Ltd. The note holder has agreed to extend the July 30, 2015 due date to December 31, 2016 at 8% interest compounded monthly (Note 11.iii).

8. 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% per annum to 1454602 Ontario Inc., 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 11.iv).

Effective May 7, 2016, the existing convertible note was replaced with a new convertible promissory note for the same amount, due May 7, 2019, with conversion into common shares of the Company at $0.11 per share, with a warrant exercisable at $0.17 per share for a period of two years (Note 11.iv).

In August 2016 at the option of the convertible note holder, the $36,000 in interest owing on this note was converted into common shares at $0.13 per share (Note 9.a.viii).

On September 27, 2016, the Company entered into two secured convertible promissory notes in the amount of $204,000 due September 29, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. (Note 11.viii).

On October 13, 2016, the Company entered into two secured convertible promissory notes in the amount of $139,000 due October 21, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The other note holder, Unicare Inc., is a company partially controlled by a shareholder, who is considered to be an insider of the Company due to undiluted ownership in excess of 10% of the common shares of the Company (Note 11.ix).

On October 27, 2016, the Company entered into three secured convertible promissory notes in the amount of $225,000 due October 31, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, Cancore Enterprise, is a company controlled by a shareholder, who is considered to be an insider of the Company due to diluted ownership in excess of 10% of the common shares of the Company (Note 11.x).

9. Share Capital

a. Common Shares

Common shares issued

	[Notes]	Number	Amount
Balance April 30, 2015		90,919,631	$ 10,794,391
Issuance in a private placement	9.a.(i)	677,777	31,856
Issuance in a private placement	9.a.(ii)	500,000	24,500
Issuance in a private placement	9.a.(iii)	2,000,000	79,000
Issuance in a private placement	9.a.(v)	1,000,000	47,000
Issuance in business combination	9.a.(iv)	10,000,000	2,050,000
Issuance in exchange for debt	9.a.(vi)	1,774,814	239,600
Exercise of options	9.a.(vii)	133,333	20,000
Cost of share issuances			(51,061)
Balance April 30, 2016		107,005,555	$ 13,235,286
Issuance in exchange for debt	9.a (viii,ix)	584,614	75,120
Balance October 31, 2016		107,590,169	$ 13,310,406

i. During May 2015, the Company completed a private placement with the Company's Chief Executive Officer and Chief Financial Officer 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 (Note 9.d).

ii. During June 2015, the Company completed a private placement with the Company's Chief Executive Officer 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 (Note 9.d).

iii. 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 $79,000 and warrant fair value of $321,000) less the cost of issuance for a net cash flow of $368,750 (Note 9.d).

iv. During July 2015, the Company issued 10,000,000 shares, valued at $0.205 to complete the purchase of selected assets from Graphic Media, Inc. and Engage Mobile Media Solutions LLC, with a fair market value of $2,050,000, with a cost of issuance of $10,500.

v. 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 (Note 9.d).

vi. 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, less the cost of issuance of $3,201.

vii. During the year ended April 30, 2016, 133,333 stock options were exercised for proceeds of $20,000 (Note 9.c).

viii. On August 2, 2016, the Company completed a shares for debt transaction of $40,000 with its Chief Executive Officer, by issuing 307,692 common shares at a price of $0.13 per share, less the cost of issuance of $463.

ix. On August 5, 2016, the Company completed a shares for debt transaction of $36,000 by issuing 276,922 common shares at a price of $0.13 per share to 1454602 Ontario Inc., a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company), less the cost of issuance of $417.

9. Share Capital – continued

b. Compensation Based Options

On September 19, 2016, 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 common shares may be granted to an employee conducting investor relations activities in any one year period.

c. Stock Options

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

	[Notes]	Options		Weighted Price
Options outstanding at April 30, 2015		6,990,000	$	0.220
Granted		2,125,000		0.240
Exercised	9.a.(vii)	(133,333)		0.150
Cancelled		(275,000)		0.240
Options outstanding at April 30, 2016		8,706,667	$	0.230
Granted		100,000		0.165
Cancelled		(1,450,000)		0.290
Options outstanding at October 31, 2016		7,356,667	$	0.210

9. Share Capital – continued

c. Stock Options - continued

	[Notes]	Options	Weighted Price
Options exercisable at April 30, 2015		5,856,671	$ 0.24
Vested during the period		1,924,997	0.21
Cancelled during the period		(175,001)	0.24
Exercised during the period	9.a.(vii)	(133,333)	0.15
Options exercisable at April 30, 2016		7,473,334	$ 0.23
Vested during the period		966,667	0.25
Cancelled during the period		(1,450,000)	0.29
Options exercisable at October 31, 2016		6,990,001	$ 017

The following table summarizes additional disclosures on the stock options outstanding at October 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-Oct-16	Not Expensed at 31-Oct-16
$ 0.31	100,000	1.0	100,000	14.0	$ 28,400	$ 28,400	$ -
0.23	290,000	2.5	290,000	2.5	144,500	144,500	-
0.205	500,000	20.5	500,000	20.5	102,000	102,000	-
0.150	866,667	25.0	866,667	25.0	240,000	240,000	-
0.200	2,075,000	25.5	2,075,000	25.5	473,800	473,800	-
0.260	1,000,000	29.0	1,000,000	29.0	317,500	317,500	-
0.235	250,000	33.0	250,000	33.0	58,750	58,750	-
0.180	300,000	42.0	300,000	42.0	49,500	49,500	-
0.260	1,500,000	43.5	1,450,000	43.5	292,250	283,900	8,350
0.150	375,000	53.0	125,000	53.0	33,000	11,000	22,000
0.165	100,000	57.0	33,334	57.0	6,400	2,133	4,266
	7,356,667		6,990,001		$ 1,746,100	$ 1,711,483	$ 34,616

9. Share Capital – continued

c. Stock Options - continued

During the six months ended October 31, 2016, the Company recognized $163,667 in stock-based compensation expense to directors, employees and consultants (October 31, 2015 - $228,533) 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 0.54% (October 31, 2015 –1.02%); expected dividend yield of $Nil (October 31, 2015 - $Nil); estimated volatility of 168.0% (October 31, 2015 – 115.3%) and an expected option life of two and a half years (October 31, 2015 – two and a half years).

d. Warrants

	[Notes]	Warrants Number	Amount
Balance April 30, 2015		23,102,127	$ 3,340,422
Issuance in a private placement		4,377,777	589,644
Expiry of warrants	9.d.(i)	(1,036,034)	(244,103)
Balance April 30, 2016		26,443,870	$ 3,685,963
Balance October 31, 2016		26,443,870	$ 3,685,963

i. During the year ended April 30, 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 October 31, 2016:

Issued	Number	Weighted Average Exercise Price	Expiry Date
23-Mar-12	3,000,000	$ 0.500	23-Mar-17
07-Nov-13	9,499,999	0.450	07-Nov-17
11-Nov-14	9,566,094	0.240	11-Nov-18
11-May-15	677,777	0.270	11-May-17
03-June-15	500,000	0.300	03-June-17
05-June-15	2,000,000	0.300	05-June-17
05-June-15	200,000	0.200	05-June-17
06-Oct-15	1,000,000	0.225	06-Oct-17
	26,443,870	$ 0.350	

9. Share Capital – continued

d. Warrants – continued

Summary:

Number of Warrants Outstanding	Weighted Average Exercise Price		Weighted Average Remaining Life (months)
3,000,000	$	0.500	4.5
9,499,999		0.450	12.0
9,566,094		0.240	24.5
677,777		0.270	6.5
2,500,000		0.300	7.0
200,000		0.200	7.0
1,000,000		0.225	11.0
26,443,870	$	0.35	

10. Contributed Surplus

Contributed surplus resulted from the following:

	[Notes]		Amount
Balance at April 30, 2015		$	6,212,595
Amounts resulting from share-based compensation	9.c.		319,533
Ascribed value of expired warrants	9.d.(i)		244,103
Balance at April 30, 2016		$	6,776,231
Amounts resulting from share-based compensation	9.c.		163,667
Balance at October 31, 2016		$	6,939,898

11. 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 six months ended October 31, 2016, the Company expensed fees totaling $90,000 (October 31, 2015 – $90,000) and fixed allowance of $8,880 (October 31, 2015 – $8,880). During the six months ended October 31, 2016, $37,080 (October 31, 2015- $49,440) of these fees and expenses were capitalized to Data Network Development Costs. The amount outstanding in trade accounts payable at October 31, 2016 was $272,330 (October 31, 2015 - $116,938). 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 of $6,000 US per month amounting to $46,650 Cdn. for the six months ended October 31, 2016 (October 31, 2015 - $46,115 Cdn.). At October 31, 2016, $249,671 Cdn. is unpaid and included in accounts payable and accrued liabilities (October 31, 2015 - $149,276 Cdn.).

11. Related Party Transactions and Balances – continued

ii. Recorded the fees of the Chief Financial Officer to a company controlled by him. During the six months ended October 31, 2016, the Company expensed fees totaling $18,000 (October 31, 2015 - $18,000). The amount outstanding in trade accounts payable at October 31, 2016 was $74,580 (October 31, 2015 - $33,900).

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 7).

On June 15, 2015, the Company repaid $40,000 to the note holder. The Company and the note holder agreed to extend the $60,000 Note to December 31, 2016 (Note 7). Total interest expense on the Note for the six months ended October 31, 2016 amounted to $2,732 (October 31, 2015 - $3,044) and the accrued interest payable included in accounts payable at October 31, 2016 was $9,370 (October 31, 2015 - $4,055).

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 1454602 Ontario Inc., 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 14). Effective May 7, 2016, this note was replaced with a new convertible promissory note for the same amount and interest rate, due May 7, 2019. Total interest expense on these Notes for the six months ended October 31, 2016 amounted to $18,148 (October 31, 2015 - $17,458) and the accrued interest payable included in accounts payable at October 31, 2016 was $17,556 (October 31, 2015 – $17,458) (Note 8).

v. During the six months ended October 31, 2016, recorded directors fees of $42,000 (October 31, 2015 – $84,000). Included in accounts payable and accrued liabilities are unpaid directors fees at July 31, 2016 of $174,900 (October 31, 2015 – $84,900).

vi. Contracted with QDAC Inc., a company under the significant influence of an insider of the Company, to manufacture the Company’s hardware. The amount outstanding in trade accounts payable at October 31, 2016 was $613,555 (October 31, 2015 - $500,688).

vii. Incurred share-based compensation relating to stock options granted to the board, based upon the vesting of stock options granted. During the six months ended October 31, 2016, the Company expensed non-cash costs of $104,375 (October 31, 2015 - $104,375).

viii. On August 2, 2016, the Company completed a shares for debt transaction of $40,000 with its Chief Executive Officer, by issuing 307,692 common shares at a price of $0.13 per share (Note 9.a.viii).

ix. On August 5, 2016, the Company completed a shares for debt transaction of $36,000 by issuing 276,922 common shares at a price of $0.13 per share to 1454602 Ontario Inc., a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company (Notes 8 and 9.a.ix).

x. On September 27, 2016, the Company entered into a $79,000 secured convertible promissory note due September 27, 2017 bearing an interest rate of 10%, convertible at $0.095 per share, with a warrant priced at $0.15 exercisable for a period of two years from date of conversion with 1454602 Ontario Inc., a company controlled by two shareholders. both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company (Note 8).

11. Related Party Transactions and Balances – continued

xi. On October 13, 2016, the Company entered into 2 secured convertible promissory notes, totaling $139,000 due October 13, 2017 bearing an interest rate of 10%, convertible at $0.10 per share, with a warrant priced at $0.15 exercisable for a period of two years from date of conversion. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The other note holder, Unicare Inc., is a company partially controlled by a shareholder, who is considered to be an insider of the Company due to undiluted ownership in excess of 10% of the common shares of the Company (Note 8).

xii. On October 27, 2016, the Company entered into a $75,000 secured convertible promissory due October 31, 2017 and bearing an interest rate of 10% per annum convertible at $0.12 per share, with a warrant priced at $0.18 exercisable for a period of two years from date of conversion with Cancore Enterprise, a company controlled by a shareholder, who is considered to be an insider of the Company due to diluted ownership in excess of 10% of the common shares of the Company (Note 8).

xiii. Multiple non-interest bearing advances with no terms of repayment have been entered into totaling $91,000 (October 31, 2015 – Nil). Included in these advances were $48,000 from a shareholder of the Company, $30,000 from the Chief Executive Officer and $10,000 from an employee, with the employee fully repaid in September, the Chief Executive Officer's advances converted into shares in August and $5,000 repaid to the shareholder in October.

xiv. Compensation of key management personnel and board of directors:

	October 31, 2016	October 31, 2015
Wages and director fees	$ 196,650	$ 238,115
Benefits	8,880	8,880
Share based compensation (non-cash)	104,375	104,375
	$ 309,905	$ 351,370

12. 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 six month period ended October 31, 2016, amounted to 107,149,032 (October 31, 2015 – 95,367,327). 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 six months ended October 31, 2016	2015
Stock options	7,356,667	8,456,667
Warrants	26,443,870	26,243,870
	33,800,537	34,700,537

13. 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, note payable, convertible note payable and advances 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 October 31, 2016 was $3,077 (April 30, 2016 - $1,159) net of allowances.

The Company may also have credit risk relating to cash and restricted cash, of $101,636 and $10,000 (April 2015 - $4,758 and $10,000), 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.

13. Commitments and Contingencies - continued

Liquidity risk – continued

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	$ 2,116,405	$ 2,116,405	$ -	$ -
Advances	91,000	91,000	-	-
Note payable	60,000	60,000	-	-
Convertible notes payable	928,000	568,000	360,000	-
	$ 3,195,405	$ 2,835,405	$ 360,000	$ -

Rental and operating leases

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

	Amount
Fiscal 2017	$ 15,315
Fiscal 2018	12,762
	$ 28,077

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.

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 remove equipment that has no scheduled date of removal.

14. Net Change in Non-Cash Working Capital

	For the six months ended October 31, 2016	2015
Net change in non-cash working capital balances:		
Restricted cash	$ -	$ 7,000
Accounts receivable	(1,918)	126
Other receivables	(79,035)	-
Sales taxes recoverable	3,829	(7,317)
Inventories	11,975	3,540
Prepaid expenses and deposits	3,006	3,531
Accounts payable and accrued liabilities	227,295	(488,190)
Deferred revenue	-	(27,838)
	$ 165,187	$ (509,148)

15. Selling and Marketing

	For the six months ended October 31, 2016		2015	
Travel, tradeshows and promotional	$ -	-	$ 4,983	91.2%
Other	500	100.0%	482	8.8%
Total - Selling and marketing	$ 500	100.0%	$ 5,465	100.0%

16. General and Administration

	For the six months ended October 31, 2016		2015	
Salaries	$ 26,969	4.1%	$ 27,868	4.4%
Benefits	2,693	0.4%	2,621	0.4%
Contractual services	120,900	18.3%	134,868	21.4%
Share-based compensation	163,667	24.7%	228,533	36.3%
Travel and auto	6,728	1.0%	5,684	0.9%
Office costs	91,386	13.8%	31,142	5.0%
Occupancy and operating costs	27,366	4.1%	26,054	4.1%
Professional	94,012	14.2%	64,837	10.3%
Consulting	11,000	1.7%	23,020	3.7%
Directors' fees	42,000	6.4%	84,000	13.4%
Other income	74,909	11.3%	866	0.1%
Total - General and administration	$ 661,630	100.0%	$ 629,493	100.0%