3tl Technologies Corp.

(Formerly KCO Capital Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2016

(Unaudited and Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, 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 condensed consolidated interim financial statements for the three and nine months ended September 30, 2016 and 2015 have been prepared by the management in accordance with International Financial Reporting Standards and approved by the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company’s independent auditors.

3tl Technologies Corp.
(Formerly KCO Capital Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	September 30, 2016	December 31, 2015
	$	$
ASSETS		
CURRENT		
Cash	**166,079**	644,513
Accounts receivable	**136,821**	38,956
Prepayments and other assets	**83,319**	31,038
Current assets	**386,219**	714,507
NON-CURRENT		
Equipment (Note 7)	**9,872**	12,201
Total assets	**396,091**	726,708
LIABILITIES		
CURRENT		
Accounts payable and other liabilities (Note 13)	**347,903**	263,453
Deferred revenue (Note 8)	**82,410**	-
	430,313	263,453
NON-CURRENT		
Due to related parties (Note 10)	**28,707**	68,871
Total liabilities	**459,020**	332,324
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**8,691,058**	8,121,058
Share-based payment reserve (Note 9)	**2,673,742**	2,438,038
Deficit	**(11,427,729)**	(10,164,712)
Total shareholders' equity	**(62,929)**	394,384
Total shareholders' equity and liabilities	**396,091**	726,708

Subsequent Events (Note 15)

Approved on behalf of the Board

"Robert Craig"	*"David Raffa"*
Director	Director

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

3tl Technologies Corp.
(Formerly KCO Capital Inc.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenue	**267,968**	34,991	**610,402**	270,935
Cost of sales (Note 14)	**121,746**	48,921	**184,995**	215,377
Gross profit (loss)	**146,222**	(13,930)	**425,407**	55,558
Operating expenses				
General and administrative (Note 14)	**184,527**	360,324	**691,805**	1,151,484
Sales and marketing (Note 14)	**207,233**	148,641	**539,111**	541,412
Research and development (Note 14)	**90,909**	113,269	**250,358**	492,633
Share-based payments (Note 9)	**62,271**	14,229	**211,704**	107,506
Depreciation (Note 7)	**1,290**	1,610	**3,518**	4,830
Total operating expenses	**546,230**	638,073	**1,696,496**	2,297,865
Operating loss	**(400,008)**	(652,003)	**(1,271,089)**	(2,242,307)
Other items:				
Interest income (expenses)	**-**	(4)	**-**	285
Foreign exchange gain	**4,744**	18,512	**8,072**	28,341
Net and comprehensive loss	**(395,264)**	(633,495)	**(1,263,017)**	(2,213,681)
Loss per share				
Loss per share – basic and diluted	**(0.00)**	(0.01)	**(0.01)**	(0.03)
Weighted average number of common shares outstanding - basic and diluted	**90,942,292**	73,136,090	**87,788,278**	71,884,524

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

3tl Technologies Corp.
(Formerly KCO Capital Inc.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
		$	**$**	**$**	**$**
Balance as at December 31, 2014	71,194,960	7,160,995	1,947,356	(7,311,561)	1,796,790
Issuance of shares for cash	3,500,000	502,600	-	-	502,600
Share issuance costs - cash	-	(49,000)	-	-	(49,000)
Share issuance costs - finder's warrants	-	(13,800)	-	-	(13,800)
Options exercised	77,000	15,880	(8,180)	-	7,700
Share-based compensation	-	-	107,506	-	107,506
Issuance of share purchase warrants	-	-	211,200	-	211,200
Net and comprehensive loss	-	-	-	(2,213,681)	(2,213,681)
Balance as at September 30, 2015	74,771,960	7,616,675	2,257,882	(9,525,242)	349,315
Balance as at December 31, 2015	82,508,960	8,121,058	2,438,038	(10,164,712)	394,384
Options exercised (Note 9)	300,000	57,000	(12,000)	-	45,000
Issuance of shares for cash (Note 9)	7,333,332	474,000	-	-	474,000
Share issuance cost (Note 9)	-	(1,000)	-	-	(1,000)
Conversion of Restricted Share Units (Note 9)	800,000	40,000	(40,000)	-	-
Share-based compensation (Note 9)	-	-	211,704	-	211,704
Issuance of share purchase warrants (Note 9)	-	-	76,000	-	76,000
Net and comprehensive loss	-	-	-	(1,263,017)	(1,263,017)
Balance as at September 30, 2016	**90,942,292**	**8,691,058**	**2,673,742**	**(11,427,729)**	**(62,929)**

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

3tl Technologies Corp.
(Formerly KCO Capital Inc.)
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended September 30,	
	2016	2015
	$	$
Cash flows from operating activities:		
Loss of the period	**(1,263,017)**	(2,213,681)
Items not affecting cash:		
Depreciation	**3,518**	4,830
Share-based compensation	**211,704**	107,506
Changes in non-cash working capital (Note 12)	**16,714**	6,591
Net cash flow from operating activities	**(1,031,081)**	(2,094,754)
Cash flows from investing activity:		
Acquisition of equipment	**(1,189)**	(3,755)
Net cash flow from investing activity	**(1,189)**	(3,755)
Cash flows from financing activities:		
Shares issued for cash, gross (Note 9)	**550,000**	700,000
Shares issuance cost (Note 9)	**(1,000)**	(49,000)
Net changes in related-party loan	**(40,164)**	608
Options exercised for cash (Note 9)	**45,000**	7,700
Net cash flow from financing activities	**553,836**	659,308
CHANGE IN CASH	**(478,434)**	(1,439,201)
CASH - BEGINNING OF PERIOD	**644,513**	1,923,151
CASH - END OF PERIOD	**166,079**	483,950
Supplemental disclosure with respect to cash flows:		
Interest paid in cash	-	**-**
Income tax paid in cash	-	**-**

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

1. CORPORATE INFORMATION

3tl Technologies Corp. (the "Company" or "3TL Technologies") is a technology company operating in the consumer internet advertising sector and is a provider of consumer digital and social media engagement, data mining and loyalty solutions. In 2014, the Company launched PLATFORM ^{3}as a commercial product. PLATFORM ^{3} is a proprietary suite of digital applications that provides brands with a single digital marketing, data mining and reward platform to engage consumers on the web or mobile phone through digital and social channels. PLATFORM^3's features enable brands to engage consumers, facilitate friend-to-friend sharing, collect and analyze data to determine which consumers are most valuable based on their level of engagement with a brand on social media, and incentivize and reward their most valuable consumers. Customers access PLATFORM ^{3} through a cloud-based software as a service subscription model.

The head and registered office of the Company is located at 422 Richards Street, Suite 160, Vancouver, BC, V6B 2Z4. The Company is listed on the TSX Venture Exchange (TSX-V) under the symbol 'TTM'.

3tl Technologies was incorporated under the Business Corporations Act of British Columbia on July 29, 2011 under the name of KCO Capital Inc. On August 1, 2012, the Company completed its initial public offering and became a Capital Pool Company in order to negotiate an acquisition or participation in a business (the "Qualifying Transaction"). On October 30, 2014, 3tl Technologies completed its Qualifying Transaction by acquiring 3 tier logic Inc. ("3 tier logic") through an acquisition of 100% of the shares of 3 tier logic (the "Acquisition").

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

a. Statement of compliance

The condensed interim consolidated financial statements of 3tl Technologies for the three and nine months ended September 30, 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*.

These unaudited condensed interim consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited annual financial statements and notes as at and for the year ended December 31, 2015.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 29, 2016.

b. Basis of consolidation and going concern

The condensed interim consolidated financial statements include the accounts of 3 Tier Logic and those of 3tl Technologies (formerly KCO Capital Inc.) for the three and nine months ended September 30, 2016 and 2015. These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations. These condensed interim consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, and prior operating results. During the nine months ended September 30, 2016, the Company incurred a net and comprehensive loss of $1,263,017 (nine months ended September 30, 2015 - $2,213,681) and has an accumulated deficit at September 30, 2016 of

$11,427,729 (December 31, 2015 - $10,164,712). The Company's ability to continue its operations will depend upon, but not be limited to, obtaining additional financing and generating revenues sufficient to cover its operating costs. These uncertainties cast significant doubt about the Company’s ability to continue as a going concern.

Management is of the opinion that it will be in a position to raise ongoing financing as needed; however, there is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

c. Basis of measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis, except for where IFRS requires recognition at fair value.

Certain figures for the prior year have been reclassified to conform to the current presentation.

d. Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

e. Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its estimates and assumptions in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its estimates and assumptions. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the impairment and useful lives of equipment, allowance for doubtful accounts, fair value measurements for financial instruments, share-based payments, and the recoverability and measurement of deferred tax assets.

f. Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying to accounting policies. The most significant judgments in applying the Company’s financial statements include:

(i) Going concern – The evaluation of the Company’s ability to continue as a going concern, to raise additional financing in order to cover its operating expenses and its obligations for the upcoming year requires significant judgment based on past experience and other assumptions including the probability that future events are considered reasonable according to the circumstances.

(ii) Revenue recognition – The Company derives revenues from several sources. Significant management judgements must be made in connection with and determination of the revenue to be recognized.

(iii) Share-based payments - 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. 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, number of awards that will eventually vest, volatility, dividend yield and forfeiture rate and making assumptions about them. Expected volatility is estimated by considering historic average share price volatility of the Company and comparable companies for periods that exceeds the Company's trading.

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies have been applied on a basis consistent with those applied in the most recent audited annual consolidated financial statements. The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as at the date the Board of Directors approved and authorized to issue these condensed interim consolidated financial statements.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for fiscal periods beginning January 1, 2016 or later. The standards are described in the Company's annual consolidated financial statements for the year ended December 31, 2015 and are used in these condensed interim consolidated financial statements.

5. CAPITAL MANAGEMENT

The Company's objective is to maintain a strong capital base so as to maintain customer, supplier, investor, creditor, and market confidence and to sustain future development of the business and increase shareholder value through organic growth and strategic acquisitions. As of September 30, 2016, the Company had a capital deficiency of $62,929 defined by the Company as shareholders' equity (December 31, 2015 – shareholders' equity of $394,384). The Company's management believes it could issue new shares or raise new debt, increase sales, improve existing products and develop new products to maintain or strengthen its capital structure.

There were no changes in the Company's approach to capital management during the current period.

The Company is not subject to any externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a. Financial instruments

The fair value of the Company's financial assets and liabilities approximate their carrying value due to their short-term nature.

The Company's financial assets and liabilities are classified and measured as follows:

Asset/Liability	Category	Measurement
Cash	Fair value through profit or loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Trade payables	Other financial liability	Amortized cost
Due to related parties	Other financial liability	Amortized cost

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

As at September 30, 2016, the Company measures its cash at fair value on a reporting period basis using Level 1 indicators. The fair value of cash is determined by reference to non-restricted funds available to the Company.

During the period ended September 30, 2016, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

b. Financial instrument risk exposure and management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk through budgeting, ongoing management and forecasting of operating cash flows, reviews of trade receivables, management of cash, and use of equity financings when appropriate. The Company believes that it will generate sufficient funds from operations and financing activities to cover the expected short and long term cash requirements.

Currency risk
Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company’s functional and reporting currency is the Canadian dollar. The Company’s exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to the United States dollar (“USD”) as some of the Company’s revenues and expenses are in USD. To limit the impact of fluctuations of the Canadian dollar over the foreign currencies, the Company matches, in general and when possible, the cash receipts in a foreign currency with the cash disbursements in the same foreign currency. The Company does not use derivative financial instruments to cover the variability of cash flows in foreign currencies.

Credit risk
Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. Trade receivables are the most significant financial instrument that is exposed to credit risk. The Company provides credit to its customers in the normal course of operations. To minimize this risk, the Company grants credit to creditworthy customers and requires a portion of payment in advance. The Company believes that its exposure to credit risk is low, at present, due to a small number of customers. The maximum exposure to loss arising from trade receivables is equal to their total carrying amounts.

(Unaudited - Expressed in Canadian Dollars)

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Management does not believe that the Company is exposed to any material market risk.

7. EQUIPMENT

	Computer Equipment			Furniture and Equipment			
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value	Total
	$	$	$	$	$	$	$
Balance at December 31, 2014	40,853	(33,836)	7,017	20,779	(12,911)	7,868	14,885
Additions	3,755	-	3,755	-	-	-	3,755
Depreciation	-	(4,865)	(4,865)	-	(1,574)	(1,574)	(6,439)
Balance at December 31, 2015	44,608	(38,701)	5,907	20,779	(14,485)	6,294	12,201
Additions	1,189	-	1,189	-	-	-	1,189
Depreciation	-	(2,574)	(2,574)	-	(944)	(944)	(3,518)
Balance at September 30, 2016	45,797	(41,275)	4,522	20,779	(15,429)	5,350	9,872

8. DEFERRED REVENUE

Cash received in advance of services performed is recorded as deferred revenue. The deferred revenue is not a financial liability because the outflow of economic benefits associated with the deferred revenue is the delivery of services rather than a contractual obligation to pay cash or another financial asset. The deferred revenue of $82,410 will be recognized on a monthly basis over the remaining term of a service contract that will be completed in June 2017.

9. SHARE CAPITAL

a. Authorized share capital:

Unlimited common shares, voting, with no par value.

b. Changes in issued share capital

On August 12, 2015, the Company completed a brokered private placement of 3,500,000 units at $0.20 per unit for gross proceeds of $700,000. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.20 per warrant until February 12, 2017. The warrants were allocated a fair value of $197,400. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.42%, expected life of 1.5 years, volatility of 73% and no expected dividends. If the volume weighted average price of the Company's common shares exceeds $0.30 for any 5 consecutive trading days, the Company shall be entitled to accelerate the expiry of the warrants to a date that is 30 days following notice of such acceleration. To December 31, 2015, the Company has not met the accelerated exercise criterion. In connection with the private placement, the Company paid finder's fees of $49,000 and issued 245,000 agent's warrants. The agent's warrants were allocated a fair value of $13,800. The fair value of the agent's warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.42%, expected life of 1.5 years, volatility of

73% and no expected dividends. The agent's warrants are exercisable at $0.20 until February 12, 2017 and are also subject to the accelerated exercise provision.

On December 30, 2015, the Company completed a short form prospectus offering of 7,737,000 units at a price of $0.10 per unit for total gross proceeds of $773,700. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.20 per warrant until December 30, 2017. The warrants were allocated a fair value of $104,449. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.48%, expected life of 2 years, volatility of 80% and no expected dividends. If the volume weighted average price of the Company's common shares exceeds $0.30 for any 20 consecutive trading days and the shares trade on at least 10 of such trading days, the Company shall be entitled to accelerate the expiry of the warrants to a date that is 30 days following notice of such acceleration. To December 31, 2015, the Company has not met the accelerated exercise criterion. In connection with the short form prospectus offering, the Company paid finder's fees of $133,920 and issued 618,960 agent's stock options. The agent's stock options were allocated a fair value of $30,948. The fair value of the agent's stock options was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.48%, expected life of 2 years, volatility of 80% and no expected dividends. The agent's stock options are exercisable at $0.10 until December 30, 2017.

During the year ended December 31, 2015, 77,000 common shares were issued from the exercise of options for gross proceeds of $7,700. Accordingly, the Company reallocated $8,180 from the share-based payment reserve to share capital.

On March 14, 2016, the Company completed a non-brokered private placement of 3,666,667 units of the Company at $0.075 per unit for gross proceeds of $275,000. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.10 per warrant until March 14, 2018.

On May 3, 2016, the Company completed a non-brokered private placement of 3,666,667 units of the Company at $0.075 per unit for gross proceeds of $275,000. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.10 per warrant until May 3, 2018. Finder's fee of $1,000 was paid from the gross proceeds.

On June 14, 2016, 800,000 Restricted Share Units were converted to the common shares of the Company at a deemed price of $0.05 per share.

During the nine months ended September 30, 2016, 300,000 common shares were issued from the exercise of options for gross proceeds of $45,000. Accordingly, the Company reallocated $12,000 from the share-based payment reserve to share capital.

Subsequent to September 30, 2016, on November 24, 2016, the Company completed a non-brokered private placement of 20,003,304 units of the Company at $0.05 per unit for gross proceeds of $1,000,165.20. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.075 per warrant until November 24, 2018. Finder's fee of $ $61,544 was paid from the gross proceeds. (Note 15 a)

c. Share-based payment reserve

The share-based payment reserve records items recognized as share-based compensation expense and the fair value of warrants issued based on the residual method. At the time that the stock options or warrants are exercised, the corresponding amount is reallocated to share capital.

d. Escrow shares

As at September 30, 2016, the Company had 20,869,000 shares held in escrow. The common shares will be released as follows on these dates: 4,698,000 on November 7, 2016, 4,698,000 on May 7, 2017, and 11,473,000 on November 7, 2017.

e. Restricted Share Unit Plan

At the annual general and special meeting of shareholders of the Company held on June 15, 2015, shareholders approved and ratified the adoption by the Company of a restricted share unit plan (the "RSU Plan"). The RSU Plan was designed to provide certain directors, officers, other key employees and consultants of the Company and its related entities with the opportunity to acquire restricted share units ("RSUs") of the Company in order to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the shareholders. The Compensation Committee (or such other committee the Board may appoint) is responsible for administering the RSU Plan. The RSU Plan allows the Company to grant RSUs, under and subject to the terms and conditions of the RSU Plan, which may be exercised to purchase up to a maximum of 4,000,000 Shares.

At the annual general and special meeting of shareholders of the Company held on June 28, 2016, shareholders approved and ratified the increase of RSUs that may be granted under the RSU Plan to a maximum of 5,000,000.

During the nine months ended September 30, 2016, the Company approved the grant of 3,500,000 RSUs, of which, 800,000 were converted to the common shares of the Company (Note 9 b).

f. Share option plan

At the annual general and special meeting of shareholders of the Company held on June 15, 2015, shareholders approved and ratified the adoption by the Company of a fixed share option plan (the "Fixed Share Option Plan"). Under the Fixed Share Option Plan, a total of 9,100,000 common shares of the Company are reserved for share incentive options ("Options") to be granted at the discretion of the Company to its directors, officers, employees, management company employees, consultants or company consultants. The previous 10% rolling share option plan dated April 23, 2012 has been terminated and replaced with the fixed maximum number Fixed Share Option Plan.

At the annual general and special meeting of shareholders of the Company held on June 28, 2016, shareholders approved and ratified the increase of options that may be granted under the Fixed Share Option Plan to a maximum of 13,000,000.

g. Stock options

The fair value of stock options is recognized as share-based compensation accounted for over the period of the options and the related credit is included in share-based payment reserve.

(Unaudited - Expressed in Canadian Dollars)

Summary of the Company's stock options:

	Number	Weighted average exercise price
		$
December 31, 2014	6,705,000	0.075
Cancelled	(2,130,000)	0.075
Exercised	(77,000)	0.075
Granted	2,518,960	0.075
December 31, 2015	7,016,960	0.075
Cancelled	(1,570,000)	0.075
Exercised	(300,000)	0.075
Granted	2,530,000	0.075
September 30, 2016	7,676,960	0.075

During the year ended December 31, 2015, the Company granted 2,518,960 stock options with a fair value of $152,265, which was recognized as share-based compensation. The fair value of each option is accounted for over the period of the options and the related credit is included in share-based payment reserve.

During the nine months ended September 30, 2016, 2,530,000 options were granted, 1,570,000 options were cancelled, and 300,000 options were exercised.

At the annual general and special meeting of shareholders of the Company held on June 28, 2016, shareholders approved and ratified the amendment of exercise price of options previously granted to certain directors, officers, other insiders of the Company, as well as employees, consultants and representatives of the Company, to reduce the exercise price of options that have an exercise price higher than $0.075 to an exercise price of $0.075.

IFRS 2 *Share-based Payment* requires that, if the modification increases the fair value of the equity instruments granted (e.g. by reducing the exercise price), measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

In accordance with IFRS 2 *Share-based Payment*, the incremental increase of the fair value of $52,615 of the fully vested options were recognized immediately and $7,345 to be recognized or over the remainder of the original vesting periods.

(Unaudited - Expressed in Canadian Dollars)

During the nine months ended September 30, 2016, 2,530,000 options were granted. The following weighted average assumptions were used in calculating the fair value of stock options granted during this period using the Black-Scholes Option Pricing Model.

	September 30, 2016
Risk-free interest rate	0.73%
Expected life	5 years
Expected volatility	83.0%
Dividend rate	0%
Average share price at date of grant	$0.06

The table below summarizes information on stock options:

Outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price	Exercisable options
		$	
623,000	1.07	0.075	623,000
3,150,000	3.10	0.075	3,150,000
375,000	3.10	0.075	237,671
40,000	3.54	0.075	19,507
50,000	3.79	0.075	50,000
340,000	4.10	0.075	103,087
618,960	1.25	0.100	618,960
825,000	4.57	0.075	825,000
150,000	4.67	0.075	12,500
70,000	4.75	0.075	6,093
20,000	4.78	0.075	-
1,375,000	4.79	0.075	1,375,000
40,000	4.86	0.075	-
7,676,960	3.36	0.077	4,183,265

Subsequent to September 30, 2016, the Company granted 40,000 options to employees of the Company. These options have an exercise price of $0.075, vest quarterly over three years from date of grant, and expiry dates of October 4, 2021 to November 1, 2021. (Note 14 b)

h. Warrants

As of September 30, 2016, all former 277,704 warrants of KCO Capital Inc. expired on July 10, 2016.

On March 14, 2016, pursuant to a non-brokered private placement, the Company issued 1,833,334 share purchase warrants. Each warrant entitles the holder to purchase one additional common share in the capital of the Company at a price of $0.10 per warrant share for a period of 24 months until March 14, 2018.

On May 3, 2016, pursuant to a non-brokered private placement, the Company issued 1,833,334 share purchase warrants. Each warrant entitles the holder to purchase one additional common share in the capital of the Company at a price of $0.10 per warrant share for a period of 24 months until May 3, 2018.

(Unaudited - Expressed in Canadian Dollars)

Summary of the Company's warrants:

	Number	Weighted average exercise price	Weighted average remaining contractual life (years)
		$	
December 31, 2014	1,212,312	0.22	0.51
Finder's warrants	245,000	0.20	0.37
Share purchase warrants	3,500,000	0.20	0.37
Share purchase warrants	3,868,500	0.20	1.25
December 31, 2015	8,825,812	0.22	0.77
Share purchase warrants	3,666,668	0.10	1.52
Expired	(277,704)	0.10	-
September 30, 2016	12,214,776	0.17	1.02

The table below summarizes information on warrants:

Outstanding warrants	Weighted average remaining contractual life (years)	Weighted average exercise price
		$
934,608	0.08	0.25
245,000	0.37	0.20
3,500,000	0.37	0.20
3,868,500	1.25	0.20
1,833,334	1.45	0.10
1,833,334	1.59	0.10
12,214,776	0.97	0.17

Subsequent to September 30, 2016, 934,608 warrants granted on October 30, 2014 expired. (Note 15 c)

Subsequent to September 30, 2016, in connection with the non-brokered private placement completed on November 24, 2016 (Note 9 b), 10,001,652 share purchase warrants were issued. Each warrant entitles the holder to purchase one additional common share in the capital of the Company at a price of $0.075 per warrant share for a period of 24 months from the closing of the private placement. The company is entitled to accelerate the expire of the share purchase warrants to the date that is 30 days following the date a news release is issued announcing the accelerated expiry date in the event that the volume weighted average price of the Shares has been equal to or greater than $0.15 for any ten consecutive trading days after March 25, 2017 but on or prior to November 24, 2018. (Note 15 e)

(Unaudited - Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

During the periods ended September 30, 2016 and 2015, compensation of key management personnel and related parties were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	$	$	$	$
Key management personnel remuneration and benefits	105,000	93,500	308,250	361,000
Directors' fees	38,500	40,000	111,500	120,000
Share-based compensation	51,020	15,562	136,299	33,328
Total	194,520	149,062	556,049	514,328

The remuneration, fees and short-term benefits were allocated to cost of sales, general and administrative, and research and development expenses.

Key management personnel remuneration and benefits include salaries paid to Chief Executive Officer and Chief Technology Officer of the Company and consulting fees paid to Chief Financial Officer of the Company. The employment agreements with Chief Executive Officer and Chief Technology Officer and the consulting agreement with Chief Financial Officer have been ratified by the Board of Directors are reviewed periodically.

The Company has also entered into consulting agreements with two directors who provide corporate advisory services to the Company. The fees paid under these two consulting agreements have been included in the directors' fees. These two directors do not receive any additional cash compensation as directors of the Company.

As at September 30, 2016, $28,707 (December 31, 2015 - $68,871) was due to related parties. The amounts are non-interest bearing and unsecured. On August 29, 2014, the Company entered into debt settlement agreements with the related parties, whereby the Company will pay the outstanding amount within a 24-month period. The related parties agreed to extend the repayment of remaining debt to December 31, 2017, subject to available funds generated from operations or equity financing.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment. The summarized financial information for the revenue derived by geographic segment is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	$	$	$	$
Canada	15,000	10,291	44,450	38,792
United States	252,968	24,700	565,952	232,143
Total revenues	267,968	34,991	610,402	270,935

During the nine months ended September 30, 2016, a total of $44,450 (2015 - $36,792) accounted for revenue from two customers (2015 - 1) based in Canada and a total of $444,419 (2015 - $183,739) related to revenue from four customers (2015 - 1) based in the USA. Revenues from each of these customers in the USA constituted more than 10% of total revenues.

(Unaudited - Expressed in Canadian Dollars)

12. CASH FLOWS

	Nine Months Ended September 30,	
Net changes in working capital items:	2016	2015
	$	$
Accounts receivable	(97,865)	(51,134)
Prepaid and other assets	(52,281)	13,325
Trade payables and other liabilities	84,450	46,016
Deferred revenue	82,410	(1,616)
Total	16,714	6,591

13. TRADE PAYABLES AND OTHER LIABILITIES

	September 30, 2016	December 31, 2015
	$	$
Trade payables	320,394	166,546
Accrued liabilities	16,488	99,285
Other payable (receivable)	11,021	(2,378)
Total	347,903	263,453

(Unaudited - Expressed in Canadian Dollars)

14. OPERATING EXPENSES

The following table presents the Company's operating expenses by nature for the period:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Cost of sales	$	$	$	$
Consulting fees	685	1,147	685	1,147
Wages & salaries	30,596	17,432	60,834	81,800
Hosting and other overhead	90,465	30,342	123,476	132,430
Total	121,746	48,921	184,995	215,377
General and administrative				
Consulting fees	16,000	42,486	91,000	108,430
Wages and salaries	57,970	192,124	177,184	570,144
Professional fees	-	50,276	14,177	178,130
Office and insurance	39,527	35,140	142,993	98,807
Supplies and other overhead	71,030	40,298	266,451	195,383
Penalties and interest	-	-	-	590
Total	184,527	360,324	691,805	1,151,484
Sales and marketing				
Consulting fees	74,541	104,455	199,440	333,069
Wages and salaries	92,819	19,140	217,735	99,892
Travel and entertainment	11,595	1,185	20,862	57,314
Advertising and licenses	28,278	23,861	101,074	51,137
Total	207,233	148,641	539,111	541,412
Research and development				
Salary and consulting	90,909	113,269	250,358	380,615
Share-based payments	62,271	14,229	211,704	107,506

15. SUBSEQUENT EVENTS

a) Subsequent to September 30, 2016, on November 24, 2016, the Company completed a non-brokered private placement of 20,003,304 units of the Company at $0.05 per unit for gross proceeds of $1,000,165.20. Each unit consists of one common share of the Company and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.075 per warrant until November 24, 2018. Finder's fee of $ $61,544 was paid from the gross proceeds. (Note 9 b)

b) Subsequent to September 30, 2016, the Company granted 40,000 options to employees of the Company. These options have an exercise price of $0.075, vest quarterly over three years from date of grant, and expiry dates of October 4, 2021 to November 1, 2021. (Note 9 g)

c) Subsequent to September 30, 2016, 934,608 warrants granted on October 30, 2014 expired. (Note 9 h)

d) Subsequent to September 30, 2016, in connection with the non-brokered private placement completed on November 24, 2016 (Note 9 b), 10,001,652 share purchase warrants were issued. Each warrant entitles the holder to purchase one additional common share in the capital of the Company at a price of $0.075 per warrant share for a period of 24 months from the closing of the private placement. The company is entitled to accelerate the expire of the share purchase warrants to the date that is 30 days following the date a news release is issued announcing the accelerated expiry date in the event that the volume weighted average price of the Shares has been equal to or greater than $0.15 for any ten consecutive trading days after March 25, 2017 but on or prior to November 24, 2018. (Note 9 h)