iLOOKABOUT Corp.

Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Shareholders of iLOOKABOUT Corp.

We have audited the accompanying consolidated financial statements of iLOOKABOUT Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of iLOOKABOUT Corp. as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 25, 2017

London, Canada

iLOOKABOUT Corp.
Consolidated Statements of Financial Position
(in Canadian dollars)

As at	Note	December 31, 2016	December 31, 2015
Assets			
Current Assets:			
Cash		$ 2,221,432	$ 2,600,269
Trade and other receivables, net		677,125	525,849
Prepaid expenses and other current assets		163,575	158,902
		3,062,132	3,285,020
Non-current Assets:			
Equipment	*4*	429,736	394,076
Intangible assets	*5*	1,851,643	2,079,385
		2,281,379	2,473,461
Total Assets		$ 5,343,511	$ 5,758,481
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable and accrued liabilities		$ 1,205,631	$ 1,244,414
Unearned revenue		980,084	746,584
Current portion of long-term debt	*7*	10,947	607,159
		2,196,662	2,598,157
Non-current Liabilities:			
Unearned revenue		531,228	673,124
Long-term debt	*7*	18,066	29,013
		549,294	702,137
Shareholders' Equity	*8*	2,597,555	2,458,187
Commitments	*17*		
Subsequent events	*20*		
Total Liabilities and Shareholders' Equity		$ 5,343,511	$ 5,758,481

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

iLOOKABOUT Corp.
Consolidated Statements of Comprehensive Loss
(in Canadian dollars)

Years ended		December 31, 2016	December 31, 2015
Revenue	*11*	$ 8,790,956	$ 7,481,725
Direct operating expenses		3,608,699	3,383,267
Gross margin		5,182,257	4,098,458
Other operating expenses:			
Technology		1,564,395	1,182,050
Selling and business development		1,074,666	1,250,383
General and administration		3,006,167	2,774,086
		5,645,228	5,206,519
Loss from operations		(462,971)	(1,108,061)
Finance costs	*14*	(15,300)	(128,222)
Foreign exchange gain (loss)		(19,088)	276,447
Loss for the year		$ (497,359)	$ (959,836)
Other comprehensive income (loss):			
Items that will not be reclassified to earnings (loss) for the year:			
Foreign exchange gain (loss) on the translation of foreign operations		20,719	(151,376)
Comprehensive loss for the year		**$ (476,640)**	**$ (1,111,212)**
Weighted average number of common shares			
Basic and diluted	*15*	60,563,784	59,383,629
Loss per share			
Basic and diluted	*15*	$ (0.01)	$ (0.02)

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

iLOOKABOUT Corp.
Consolidated Statements of Changes in Shareholders' Equity
(in Canadian dollars)

Year ended December 31, 2016

	Note	Common share capital	Warrant capital	Conversion option reserve	Contributed surplus	Deficit	Translation reserve	Total Equity
Balance at December 31, 2015		$ 13,173,500	$ 717,230	$ -	$ 4,558,722	$ (15,646,886)	$ (344,379)	$ 2,458,187
Loss for the year		-	-	-	-	(497,359)	-	(497,359)
Other comprehensive income:								
Foreign exchange gain on the translation of foreign operations		-	-	-	-	-	20,719	20,719
Comprehensive loss for the year		-	-	-	-	(497,359)	20,719	(476,640)
Issuance of common shares and warrants	*8 (d)*	111,781	96,319	-	-	-	-	208,100
Warrants expired	*8 (e)*	-	(475,472)	-	475,472	-	-	-
Options exercised	*8 (f)*	17,345	-	-	(8,345)	-	-	9,000
Share-based compensation	*13*	-	-	-	398,908	-	-	398,908
Balance at December 31, 2016		$ 13,302,626	$ 338,077	$ -	$ 5,424,757	$ (16,144,245)	$ (323,660)	$ 2,597,555

Year ended December 31, 2015

	Note	Common share capital	Warrant capital	Conversion option reserve	Contributed surplus	Deficit	Translation reserve	Total Equity
Balance at December 31, 2014		$ 10,507,651	$ 619,676	$ 139,468	$ 3,855,424	$ (14,687,050)	$ (193,003)	$ 242,166
Loss for the year		-	-	-	-	(959,836)	-	(959,836)
Other comprehensive loss:								
Foreign exchange loss on the translation of foreign operations		-	-	-	-	-	(151,376)	(151,376)
Comprehensive loss for the year		-	-	-	-	(959,836)	(151,376)	(1,111,212)
Dividend conversion	*8 (a)*	61,661	-	-	-	-	-	61,661
Issuance of common shares	*8 (b)*	2,279,550	-	-	-	-	-	2,279,550
Conversion of preference shares	*8 (c)*	324,638	97,554	(66,479)	-	-	-	355,713
Redemption of preference shares		-	-	(72,989)	72,989	-	-	-
Share-based compensation	*13*	-	-	-	630,309	-	-	630,309
Balance at December 31, 2015		$ 13,173,500	$ 717,230	$ -	$ 4,558,722	$ (15,646,886)	$ (344,379)	$ 2,458,187

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

iLOOKABOUT Corp.
Consolidated Statements of Cash Flows
(in Canadian dollars)

Years ended	Note	December 31, 2016	December 31, 2015
Cash flows from operating activities			
Loss for the year		$ (497,359)	$ (959,836)
Adjustments for:			
Loss on disposal of equipment	*4*	8,528	5,211
Gain on disposal of intangible assets	*5*	(387)	-
Amortization of equipment	*4*	149,349	177,063
Amortization of intangible assets	*5*	232,170	228,624
Unrealized foreign exchange (gain) loss		16,618	(293,363)
Finance costs	*14*	15,300	128,222
Share-based compensation expense	*13*	398,908	630,309
		323,127	(83,770)
Changes in non-cash operating assets and liabilities	*16*	62,423	214,124
Interest paid		(178,033)	(34,108)
Interest received		335	1,708
Tax credits received	*12*	-	245,923
Cash provided by operating activities		207,852	343,877
Cash flows from financing activities			
Repayment of secured term credit facility	*7 (a)*	(600,000)	-
Repayment of debt financing of vehicles	*7 (b)*	(10,312)	(9,712)
Redemption of preference shares		-	(405,992)
Proceeds from issuance of common shares and warrants	*8 (d)*	210,000	-
Proceeds from options exercised	*8 (f)*	9,000	-
Corporate transaction costs		(1,900)	(3,896)
Cash used in financing activities		(393,212)	(419,600)
Cash flows from investing activities			
Purchase of equipment	*4*	(203,947)	(103,260)
Proceeds on disposal of equipment	*4*	10,410	4,327
Purchase of intangible asset	*5*	(4,816)	(1,842)
Proceeds on disposal of intangible assets	*4*	775	-
Cash used in investing activities		(197,578)	(100,775)
Decrease in cash for the year		(382,938)	(176,498)
Effect of exchange rate fluctuations on cash		4,101	141,988
Cash - beginning of year		2,600,269	2,634,779
Cash - end of year		$ 2,221,432	$ 2,600,269

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

1. Corporate Information

iLOOKABOUT Corp. and its subsidiaries are engaged in the visual and data intelligence business of collecting, processing and geo-coding street-level image data; aggregating additional value-added property based data; providing image and related data management and data analysis software; developing custom software applications; and providing real estate consulting services with a focus on Property Tax and Valuation sectors.

The consolidated financial statements comprise iLOOKABOUT Corp., and its wholly-owned subsidiaries iLOOKABOUT Inc., iLOOKABOUT (US) Inc., and Municipal Tax Advisory Group Inc. (together referred to as the "Company"). iLOOKABOUT Corp., iLOOKABOUT Inc. and Municipal Tax Advisory Group Inc. are incorporated under the laws of the Province of Ontario, and iLOOKABOUT (US) Inc. is incorporated under the laws of the State of Delaware. iLOOKABOUT Corp. and its subsidiaries each have a December 31 year end.

The Company's principal place of business is located at 383 Richmond Street, Suite 408, London, Ontario, Canada.

The Company's shares are traded in Canada on the TSX Venture Exchange ("TSXV") under the symbol ILA.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared by management in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the years ended December 31, 2016 and 2015 were authorized for issuance by the Board of Directors of the Company on April 25, 2017 .

(b) Basis of measurement

These consolidated financial statements are prepared mainly on the historical cost basis. Other measurement bases used are described in the applicable notes.

The consolidated statements of comprehensive loss are presented using the functional classification for expenses.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Company's functional currency.

(d) Use of estimates and judgements

Critical accounting estimates

The preparation of these consolidated financial statements requires management to apply judgement when making estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results could differ materially from these estimates.

(Note 2 - continued)

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Key areas of estimation are as follows:

Revenue recognition

Revenue from sales arrangements that include multiple elements is allocated amongst the separately identifiable components based on the relative fair value of the components included in the arrangement. In order to allocate the total revenue from an arrangement with multiple elements, management is required to estimate the fair value of each of those elements. These estimates can affect the timing of revenue recognition over the term of the sales arrangement.

Share-based compensation

Management is required to make certain estimates and assumptions when determining the grant date fair value of stock option awards and the number of awards that are expected to vest. Fair value is determined using the Black-Scholes option pricing model. Estimates are made with respect to risk-free interest rates, expected share volatility, expected dividend yield, forfeiture rates, and expected life.

Warrants

Management is required to make certain estimates and assumptions when determining the fair value of warrants. Fair value is determined using the Black-Scholes option pricing model. Estimates are made with respect to inputs to the Black-Scholes option pricing model including risk-free interest rates, expected share volatility, expected dividend yield, and expected life.

Intangible assets

Management is required to make certain estimates related to the expected useful lives of intangible assets, upon which amortization for those assets are based.

Impairment of non-financial assets

When the Company identifies indicators of a potential impairment of non-financial assets, analysis is performed to estimate the recoverable amount of such assets. The recoverable amount of an asset or Cash Generating Unit (“CGU”) is the greater of its value in use and its fair value less costs to sell. In calculating the value in use, the Company uses expected future cash flows which are discounted using a rate specific to the asset or CGU. Significant estimates used in the preparation of the value in use calculation include future cash flows and projections, estimates of achieving specific operating results, estimates of future capital expenditures and the weighted average cost of capital used to discount the future cash flows.

Critical judgements in applying accounting policies

In the preparation of these consolidated financial statements management has made judgements, aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the financial statements.

Revenue recognition

Management must use judgement in determining whether the Company is acting as an agent or principal in a transaction based on an evaluation of risks and responsibilities taken by the Company. Judgement is required in each applicable revenue arrangement and all relevant facts and circumstances must be considered.

(Note 2 - continued)

Management must also use judgement in determining whether components within a revenue arrangement have stand alone value.

Income tax

Management is required to apply judgement in determining whether it is probable that deferred income tax assets will be realized. At December 31, 2016 and 2015, management had determined that future realization of its deferred income tax assets did not meet the threshold of being probable, and as such, has not recognized any deferred income tax assets in the consolidated statements of financial position.

In addition, the measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

Accounts receivable

Management is required to use judgement in assessing the collectability of accounts receivable. Factors considered in making theses judgements include, but are not limited to, age of the receivable, payment history and financial condition of the debtor.

Impairment of non-financial assets

Management exercises judgement in assessing whether there are indications that an asset may be impaired. Factors considered include whether an active market exists for the output produced by the asset or group of assets, as well as how management monitors and makes decisions about the Company's operations. Management must also uses judgement in regularly assessing whether any previously recorded impairment losses should be reversed.

Cash Generating Units

Cash Generating Units ("CGUs") are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors operations.

3. Significant Accounting Policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been consistently applied by the Company's subsidiaries.

(Note 3 - continued)

(a) Basis of consolidation

Subsidiaries are legal entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of iLOOKABOUT Corp. and its wholly-owned subsidiaries iLOOKABOUT Inc., iLOOKABOUT (US) Inc., and Municipal Tax Advisory Group Inc.

(b) Revenue recognition

The Company earns revenue primarily from its StreetScape imagery, GeoViewPort geographical information system ("GIS") application, and related services which can be sold on a stand-alone basis or in a sales arrangement with multiple components. The Company also generates revenue from the provision of professional services.

Licence and transaction based revenue is primarily generated from the delivery of geo-coded, street-level images and related data. This revenue is recognized as service is delivered, when persuasive evidence of an arrangement exists, the fee is fixed and determinable and collection is considered probable. Revenue for long term licensing contracts is generally recognized over the life of the contract, in accordance with contract terms, as service is provided. Transaction based revenue is recognized as transactions are completed and service is provided.

Revenue related to professional services is recognized as service is delivered, when persuasive evidence of an arrangement exists, the amount of revenue can be measured reliably, and collection is considered probable.

Revenue from sales arrangements that include multiple components is allocated amongst the components based on the relative fair value of the components included in the arrangement. An element is considered to be separately identifiable if the service delivered has stand-alone value to the customer and the fair value can be measured reliably. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole. The fair value of each component is based on a hierarchy of (1) vendor specific objective evidence ("VSOE") of selling price, if available, (2) third-party evidence ("TPE") of selling price, if VSOE is unavailable, and (3) the cost-plus-margin ("CPM") method if neither VSOE nor TPE is available.

Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as unearned revenue.

(Note 3 - continued)

(c) Financial instruments – non-derivative

(i) Initial recognition

The Company recognizes loans and receivables on the date that they originate. All other financial assets and financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. All of the Company's financial assets are classified as loans and receivables. Under IFRS, loans and receivables are defined as financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value less any directly attributable transaction costs.

All of the Company's financial liabilities are classified as other liabilities. Other liabilities are recognized initially at fair value less any directly attributable transaction costs.

(ii) Measurement

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method less any impairment losses. Loans and receivables comprise cash and trade and other receivables.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Accounts payable, accrued liabilities, and long-term debt are classified as other liabilities.

(iii) Offsetting policy

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

(iv) De-recognition policy

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(v) Impairment

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset is measured at amortized cost, calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

(Note 3 - continued)

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the statements of comprehensive loss and reflected as an allowance account against trade and other receivables.

(d) Equipment

Equipment is stated at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of an item of equipment have different useful lives, those components are accounted for as separate items of equipment and amortized separately.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized in profit or loss.

Equipment is amortized over the estimated useful life of the asset based on the following:

Asset	Rate	Method of Amortization	Recorded as
Computer hardware	30%	Declining balance	Direct operating expenses
Equipment – StreetScape Imaging	2-4 years	Straight-line	Direct operating expenses
Furniture and equipment	20%	Declining balance	General and administration expenses
Leasehold improvements	lease term	Straight-line	General and administration expenses
Vehicles	30%	Declining balance	Direct operating expenses

In the year of acquisition, a half-year of amortization is recorded.

Management reviews amortization methods and rates annually and adjusts amortization accordingly on a prospective basis.

(e) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets include Real Property Tax Analytics software and Realty Tax Management software (the "Software") purchased in February 2015. Amortization is recorded in direct operating expenses on a straight-line basis over ten years, which corresponds to the expected useful life of the Software.

Annually, Management assesses the appropriateness of the estimated useful lives and amortization methods.

(Note 3 - continued)

(f) Impairment of non-financial assets

At each reporting date, the Company's non-financial assets, such as equipment and intangible assets, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

At each reporting date, Management assesses whether there is an indication that a previously recognised impairment loss has reversed, and accordingly whether the impairment loss should be reversed.

The recoverable amount of an asset or CGU is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset in prior years.

(g) Research and development

Research costs are expensed as incurred. Development costs are expensed as incurred, unless certain criteria are met for recognition as an intangible asset. Software development costs incurred prior to establishment of technological feasibility do not meet these criteria. To date, the Company has not recognized any development costs as intangible assets.

(h) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized through profit or loss unless they arise from business combinations or items charged directly to equity or in other comprehensive income (loss).

Current tax is the expected taxes payable or receivable within the following twelve months and is based on taxable income or loss using tax rates enacted or substantively enacted at the reporting date, combined with any adjustments to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

(Note 3 - continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levies by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced when, in management's judgement, it is no longer probable that the related tax benefit will be realized.

(i) Short-term employee benefits

Short-term employee benefit obligations including wages, benefits and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid in relation to bonuses if the Company has a present legal or constructive obligation to pay this amount as a result of past service by the employee and the obligation can be estimated readily.

(j) Investment tax credits

The Company applies for investment tax credits in relation to scientific research and experimental development expenditures incurred, as well as product commercialization. When the Company has reasonable assurance that these investment tax credits will be received and the amount can be reasonably estimated, they are accounted for as a reduction in the related expenditure.

(k) Lease payments

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss as the payments become due.

(l) Finance Costs

Finance costs consist of interest on borrowings, long-term debt accretion, changes in the estimate of the provision, and dividends on preference shares. Finance costs are recognized as they accrue using the effective interest method.

(m) Foreign currency translation

The Company's functional and presentation currency is the Canadian dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency.

Transactions denominated in a foreign currency are translated into Canadian dollars using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rates of exchange in effect at each reporting date. Foreign exchange gains and losses are recognized in profit or loss.

Assets and liabilities of a foreign operation that has a functional currency other than the Canadian dollar are translated into Canadian dollars at the reporting date exchange rate, and transactions are translated using the exchange rate prevailing at the dates of the transaction. All resulting changes are recognized in other comprehensive income (loss) in the translation reserve in shareholders' equity.

(Note 3 - continued)

(n) Share-based compensation

Stock options

All stock options granted to employees, directors and contractors are settled with common shares of the Company. The expense and corresponding increase in contributed surplus in shareholders' equity are determined based on the grant date fair value of the award and recognized using the graded method over the period that the employees unconditionally become entitled to the awards. Upon the exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no adjustment for the difference between expected and actual outcomes.

Stock options issued to contractors are measured based on the fair value of the goods and services received unless that fair value cannot be estimated reliably. If the fair value of the goods and services cannot be reliably measured, then the fair value of the equity instruments granted will be used to recognize the expense.

Deferred Share Units

The Company has a Directors' Deferred Share Unit Plan for its non-management directors. As the Company has the option and intent to settle the Deferred Share Units ("DSUs") in common shares upon the retirement of a director, upon the grant of DSUs the Company records an expense with a corresponding increase to contributed surplus.

(o) Loss per share

The Company presents basic and diluted loss per share data. Basic loss per share is calculated by dividing loss for the period by the weighted average number of shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. When a loss is incurred, basic and diluted loss per share are the same because the exercise of options and warrants are anti-dilutive.

(p) New accounting pronouncements adopted during the year

IAS 1 - Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1 - Presentation of Financial Statements as part of its initiative to improve presentation and disclosure in financial reports. These amendments did not require any significant change to current practice, but should facilitate improved financial statement disclosures. Management adopted these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. These amendments did not have a material impact on the consolidated financial statements.

(Note 3 - continued)

(q) Recent accounting pronouncements not yet adopted

The IASB has issued new standards and amendments to existing standards. These changes in accounting were not yet effective at December 31, 2016, and could have an impact on future periods.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39 - Financial Instruments: recognition and measurement standard. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is assessing the impact of this standard on the consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which supersedes existing standards and interpretations including but not limited to IAS 11 – Construction Contracts, IAS 18 – Revenue, and IFRIC 13 - Customer Loyalty Programmes.

IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17 - Leases. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The standard is effective for annual periods beginning on or after January 1, 2018. Management is currently assessing the impact of this standard and therefore cannot yet reasonably estimate its effect on the consolidated financial statements.

(in Canadian dollars)

(Note 3 - continued)

IFRS 16 - Leases

In January 2016, the IASB issued the final publication of the IFRS 16 - Leases standard, which will supersede the current IAS 17 - Leases standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17.

The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, but only if the entity is also applying IFRS 15. The Company will have the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

Management is assessing the impact of this standard on the consolidated financial statements.

4. Equipment

	Computer hardware	Equipment – Imagery	Furniture and equipment	Leasehold improvements	Vehicles	Total
Cost						
Balance at December 31, 2014	964,091	421,537	143,027	66,479	183,616	1,778,750
Additions	79,973	3,420	16,167	3,700	-	103,260
Disposals	-	-	-	-	(32,588)	(32,588)
Balance at December 31, 2015	1,044,064	424,957	159,194	70,179	151,028	1,849,422
Additions	44,628	-	55,548	103,771	-	203,947
Disposals	(1,731)	(679)	-	-	(56,091)	(58,501)
Balance at December 31, 2016	1,086,961	424,278	214,742	173,950	94,937	1,994,868
Amortization						
Balance at December 31, 2014	722,472	335,708	113,330	50,398	79,425	1,301,333
Amortization	84,481	51,239	7,556	3,991	29,796	177,063
Disposals	-	-	-	-	(23,050)	(23,050)
Balance at December 31, 2015	806,953	386,947	120,886	54,389	86,171	1,455,346
Amortization	77,720	29,066	13,216	14,677	14,670	149,349
Disposals	(1,072)	(594)	-	-	(37,897)	(39,563)
Balance at December 31, 2016	883,601	415,419	134,102	69,066	62,944	1,565,132
Carrying amounts						
At December 31, 2016	203,360	8,859	80,640	104,884	31,993	429,736
At December 31, 2015	237,111	38,010	38,308	15,790	64,857	394,076

(in Canadian dollars)

5. Intangible asset

Cost		
At December 31, 2014	$	436,857
Additions (a)		2,281,842
Disposal (b)		(314,000)
At December 31, 2015	$	2,404,699
Additions		4,816
Disposal		(775)
At December 31, 2016	$	2,408,740

Accumulated Amortization and Impairment Loss		
At December 31, 2014	$	410,690
Amortization		228,624
Disposal (b)		(314,000)
At December 31, 2015	$	325,314
Amortization		232,170
Disposal		(387)
At December 31, 2016	$	557,097

Carrying amounts		
At December 31, 2016	$	1,851,643
At December 31, 2015	$	2,079,385

(a) Software Asset Purchase

In February 2015, the Company completed a software asset purchase. The purchase included Real Property Tax Analytics Software and Realty Tax Management Software (the "Software") from Yeoman & Company Paralegal Professional Corporation ("YCP"), a related party as disclosed in note 9, and 2025832 Ontario Inc. (collectively the "Vendors"). The Company purchased this Software to re-licence to end customers. In exchange for the Software, the Company issued 6,000,000 common shares of the Company at a price of $0.38 per share, being the closing share price on the closing date of the transaction. The Company valued the Software at the fair value of the shares issued as the fair value of the Software could not be estimated reliably.

The Company determined that the expected life of the Software is approximately ten years. The Software is being amortized over ten years on a straight line basis, which amortization commenced on the date of acquisition. Such amortization is included in direct operating expenses.

(b) Software licence expiry

In March 2012, the Company acquired a software licence, which was amortized on a straight-line basis over the licence term of three years, until March 2015, at which time it expired.

(in Canadian dollars)

6. Income taxes

The components of income tax expense (benefit) for the years ended December 31, 2016 and 2015 were as follows:

		Year ended December 31, 2016		Year ended December 31, 2015
Current tax expense	$	-	$	-
Deferred tax expense (benefit)				
Origination and reversal of temporary differences	$	10,000	$	(82,000)
Change in unrecognized deductible temporary differences		81,900		(17,000)
Other		(91,900)		99,000
Deferred tax benefit	$	-	$	-

The recovery of income tax differs from the amount that would be computed by applying the combined federal and provincial statutory income tax rate to the comprehensive loss before income taxes for reasons as follows:

		Year ended December 31, 2016		Year ended December 31, 2015
Statutory income tax rate		26.50%		26.50%
Comprehensive loss	$	(476,640)	$	(1,111,212)
Computed income tax expense (recovery)	$	(126,300)	$	(294,500)
Increase (decrease) in income tax resulting from:				
Amounts not deductible for tax		141,400		215,800
Change in unrecognized deductible temporary differences		81,900		(17,000)
Other		(97,000)		95,700
Income tax expense	$	-	$	-

As at December 31, 2016 and 2015, deferred tax assets have not been recognized in respect of the following items:

		December 31, 2016		December 31, 2015
Non-capital losses	$	1,848,600	$	2,265,700
Deductible temporary differences		1,811,300		1,375,500
	$	3,659,900	$	3,641,200

(in Canadian dollars)

(Note 6 - continued)

In assessing the ability to realize the benefit of the deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers the likelihood of future profitability, the character of the deferred tax assets and available tax planning strategies in making this assessment. To the extent that management believes it is probable the deferred tax assets will be realized, that portion of the deferred tax assets is recognized in the financial statements. Based on this assessment, the deferred tax assets as at December 31, 2016 and 2015 have not been recognized in the consolidated financial statements.

As at December 31, 2016, the Company had non-capital loss carry-forwards of approximately $7,090,152 that expire between 2027 and 2036.

As at December 31, 2016, the Company also had Scientific Research and Experimental Development ("SR&ED") expenditures of approximately $4,821,000 available for future years. These SR&ED expenditures do not expire. In addition, the Company has unused investment tax credits of approximately $951,000.

7. Long-term debt

		December 31, 2016		December 31, 2015
(a) Secured term credit facility	$	-	$	596,847
(b) Debt financing of vehicles		29,013		39,325
	$	**29,013**	**$**	**636,172**
Due within 1 year	$	10,947	$	607,159
Due between 1 and 5 years		18,066		29,013
	$	**29,013**	**$**	**636,172**

(a) *Secured term credit facility*

		Face Value		Carrying Value
Balance, December 31, 2014	$	600,000	$	584,237
Accretion expense		-		12,610
Balance, December 31, 2015	$	600,000	$	596,847
Accretion expense		-		3,153
Repayment of financing		(600,000)		(600,000)
Balance, December 31, 2016	**$**	**-**	**$**	**-**

The Company had a term credit facility which allowed the Company to draw up to $2,000,000. The facility provided for the distribution of the financing in stages, subject to the Company meeting specified performance milestones.

(in Canadian dollars)

(Note 7 - continued)

In March 2012, the Company achieved the required performance milestones to trigger the first disbursement of $600,000 and received these funds at that time.
Key terms of the credit facility included the following:

- Principal of $2,000,000 to be released in three disbursements of $600,000, $500,000 and $900,000;
- Disbursements were to be triggered by the achievement of pre-determined performance milestones;
- Acceptance of triggered disbursements was at the option of the Company;
- Interest at the rate of 5% per annum;
- Maturity date of April 15, 2016;
- Bonus interest payment, to be calculated and paid at maturity, based on the Company's financial performance in the final two fiscal years of the loan;
- Provided for monthly interest payments only. All principal amounts were due and payable at maturity or earlier in the event of default; and
- The credit facility was collateralized by a first ranking general security agreement covering all assets of the Company and a first assignment of two key man life insurance policies for up to $2,000,000.

In March 2014, the second and third tranches of the facility were cancelled without being drawn upon.

In April 2016, the Company repaid the principal of $600,000 and bonus interest in the amount of $165,550, thus terminating the credit facility.

(b) *Debt financing of vehicles*

		Carrying Value
Balance, December 31, 2014	$	49,037
Repayment of financing		(9,712)
Balance, December 31, 2015	$	39,325
Repayment of financing		(10,312)
Balance, December 31, 2016	**$**	**29,013**

In 2014, the Company financed the purchase of three vehicles at an effective interest rate of 6.00%. These financing arrangements require equal monthly payments over each of their 5 year terms.

(in Canadian dollars)

8. Shareholders' Equity

			December 31, 2016		December 31, 2015	
	Expiry date	**Exercise price**	**Issued**	**Amount**	**Issued**	**Amount**
Issued and outstanding:						
Common shares			61,388,784	$ 13,302,626	60,313,784	$ 13,173,500
Share purchase warrants:						
Series G warrants	March 29, 2017	0.31	576,611	97,554	576,611	97,554
Series H warrants	January 24, 2016	0.15	-	-	1,481,000	63,050
Series I warrants	January 24, 2017	0.15	1,481,000	68,044	1,481,000	68,044
Series J warrants	January 24, 2018	0.15	1,481,000	76,160	1,481,000	76,160
Series K warrants	December 23, 2016	0.60	-	-	3,333,333	412,422
Series L warrants	October 24, 2021	0.40	1,000,000	96,319	-	-
Share capital and warrant capital			65,927,395	$ 13,640,703	68,666,728	$ 13,890,730

The authorized capital is an unlimited number of common shares and an unlimited number of preference shares, issuable in series. The common shares have no par value and are each entitled to one vote. All issued common shares are fully paid.

Other components of shareholders' equity

Other components of shareholders' equity include:

(i) Contributed surplus, which represents contributions by equity holders in excess of amounts allocated to share capital; and

(ii) Translation reserve, which represents the accumulated impact of foreign exchange translation of foreign operations.

The following table presents changes in common share capital:

		Number of shares	**Amount**
Balance, December 31, 2014		**52,966,712**	**$ 10,507,651**
Shares issued, dividend conversion	(a)	193,849	61,661
Shares issued, asset purchase	(b)	6,000,000	2,279,550
Shares issued, preference share conversion	(c)	1,153,223	324,638
Balance, December 31, 2015		**60,313,784**	**13,173,500**
Shares issued, private placement	(d)	1,000,000	111,781
Options exercised	(f)	75,000	17,345
Balance, December 31, 2016		**61,388,784**	**$ 13,302,626**

The following table presents changes in warrant capital:

		Number of warrants	**Amount**
Balance, December 31, 2014		**7,776,333**	**$ 619,676**
Warrants issued, preference share conversion	(c)	576,611	97,554
Balance, December 31, 2015		**8,352,944**	**$ 717,230**
Warrants issued, private placement	(d)	1,000,000	96,319
Warrants expired	(e)	(4,814,333)	(475,472)
Balance, December 31, 2016		**4,538,611**	**$ 338,077**

(in Canadian dollars)

(Note 8 - continued)

(a) Dividend conversions

The Company converted the following unpaid cumulative dividends on Preference Shares into common shares in accordance with notices received from the holders of certain Series 1 Preference Shares. Accrued dividends were converted at the closing common share price on the last trading day prior to the Company's receipt of the notice to convert. The Company recorded the accrued dividend amounts converted, net of costs of issuance, as an increase to common share capital and a decrease to accounts payable and accrued liabilities.

- January 2015 converted accrued dividends totaling $21,888 into 75,474 common shares based on a market price on December 31, 2014 of $0.29. Issuance costs totaled $1,659.
- March 2015 converted accrued dividends totaling $41,432 into 118,375 common shares based on a market price on March 29, 2015 of $0.35.

(b) Software asset purchase

In February 2015, the Company issued 6,000,000 common shares as payment for Software acquired, as disclosed in Note 5(a).

As the closing share price on the date prior to this share issuance was $0.38, the Company recorded an increase to share capital of $2,280,000, less share issuance costs of $450.

(c) Preference share conversion

In April 2015, the Company issued 1,153,223 common shares and 576,611 warrants to settle the conversion of 357,500 Series 1 Preference Shares. The Company recorded $324,638, net of costs of issuance of $1,787, as an increase to common share capital and $97,554 as an increase to warrant capital. The allocation between share capital and warrant capital was made on a relative fair value basis.

The fair value of the warrants issued was determined at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Series G Warrants
Exercise price	$0.31
Risk free interest rate	0.50%
Expected dividend yield	0%
Expected share volatility	106%
Expected life	24 months

(in Canadian dollars)

(Note 8 - continued)

(d) Private Placement

In October 2016, the Company completed a non-brokered private placement, resulting in the issuance of 1,000,000 Units for $0.21 per Unit. Each Unit consisted of one common share, and one Series L Warrant, with each full warrant entitling the holder to purchase one common share of the Company at an exercise price of $0.40. The warrants expire 60 months from the date of issuance.

In total, 1,000,000 common shares and 1,000,000 common share purchase warrants were issued for gross proceeds of $210,000, or $208,100 net of issuance costs of $1,900. All of the Units were subscribed for by the Company's Chief Executive Officer and his spouse.

Proceeds from the private placement were allocated to common share capital and warrant capital using the relative fair value method. The fair value of common share capital was determined using the TSXV closing price of the Company's common shares on October 24, 2016, being the closing date of the private placement, and the fair value of warrant capital was determined using the Black-Scholes option pricing model, using the following assumptions:

	Series L Warrants
Exercise price	$0.40
Risk free interest rate	0.68%
Expected dividend yield	0%
Expected share volatility	138%
Expected life	60 months

(e) Warrant expiry

On January 24, 2016, 1,481,000 Series H common share purchase warrants previously issued for the purchase of 1,481,000 common shares at a price of $0.15 expired unexercised.

On December 23, 2016, 3,333,333 Series K common share purchase warrants previously issued for the purchase of 3,333,333 common shares at a price of $0.60 expired unexercised.

(f) Options exercised

In December 2016, 75,000 stock options were exercised at an exercise price of $0.12 per option.

9. Related party transactions

Private Placement:

In October 2016, the Company completed a non-brokered private placement, resulting in the issuance of 1,000,000 Units for $0.21 per Unit. Each Unit consisted of one common share, and one Series L Warrant, with each full warrant entitling the holder to purchase one common share of the Company at an exercise price of $0.40. The warrants expire 60 months from the date of issuance. In total, 1,000,000 common shares and 1,000,000 common share purchase warrants were issued for gross proceeds of $210,000, or $208,100 net of issuance costs of $1,900. All of the Units were subscribed for by the Company's Chief Executive Officer and his spouse.

Software asset purchase:

In February 2015, the Company purchased certain technology assets to augment the Company's existing software platforms, namely a property tax analytics platform referred to as Real Property Tax Analytics ("RPTA") and a property tax workflow management platform known as Realty Tax Management ("RTM") (collectively, the "Software"), from Yeoman and Company Parlalegal Professional Corporation ("YCP") and 2025832 Ontario Inc. (collectively, the "Vendors"). Two of the principals of YCP are the sons of Mr. Gary Yeoman, the Executive Chair of the Company, and thus constituted a non-arm's length transaction under TSXV regulations. As such, it required regulatory and shareholder approval. Upon receiving such approvals, as consideration for the Software, the Company issued a total of 6,000,000 common shares to the Vendors at a share price of $0.38, being the closing price of the Company's common shares on the closing date of the transaction. Prior to purchasing the Software, the Company licensed the Software for use from the Vendors.

YCP relicenses and/or utilizes the Company's Software in order to provide services to YCP's end customers. Included in revenue are software licence sales of $40,406 (2015 – $17,800).

Consulting services:

To provide for ongoing support and development of the Software, the Company entered into a consulting agreement with YCP ("Consulting Agreement"). The Consulting Agreement has a term of twenty years and provides for an annual fee of $265,000 plus 15% of revenue recognized and received by the Company from end customers (the "YCP Fees") for use of the Software. For the year ended December 31, 2016, the Company paid YCP Fees of $356,466 (2015 – $283,361) to YCP, which were included in direct operating expense and technology expense.

The Company also provides business development related consulting services to YCP. For the year ended December 31, 2016, the Company received compensation of $28,372 for these services from YCP (2015 – $6,835).

Real Property Rental:

One of the premises occupied by the Company is rented on an annual basis from a related company owned, in part, by an officer and director of the Company. For the year ended December 31, 2016, the Company paid rent to the related company of $12,000 (2015 - $12,000), which is included in general and administration expense.

These transactions are in the normal course of operations and are measured at the transaction amount, being the amount of consideration established and agreed to by the related parties.

(in Canadian dollars)

10. Key Management Personnel Compensation

Key management personnel include the directors and officers of the Company.

In addition to their salaries and any bonuses, the Company also provides non-cash benefits to key management personnel. Key management personnel are also entitled to participate in the Company's Stock Option Plan discussed in note 13.

Key management personnel compensation is included in General and administration and Technology expenses and comprised the following:

		2016		2015
Short-term employee benefits	$	1,135,407	$	936,323
Share-based compensation		398,483		628,096
	$	**1,533,890**	**$**	**1,564,419**

Employment agreements with key management personnel typically provide for severance payments if an executive's employment is terminated without cause. These severance payments generally include 6 to 24 months of base salary, and in some cases also provide for amounts related to historic average annual cash bonuses.

11. Revenue

The Company operates and reports its results as one operating segment which is real property related products and services.

Nature of services:

The Company generates revenue from the provision of visual and data services, and from consulting services.

	Year ended			
	December 31, 2016		December 31, 2015	
Visual and data services	$	7,902,129	$	6,551,989
Consulting services		888,827		929,736
Total	$	8,790,956	$	7,481,725

Significant customers:

Customers representing more than 10% of revenue are classified as significant customers.

For the year ended December 31, 2016, the Company had two significant customers; one represented 53%, and the other represented 15% of total revenue.

(in Canadian dollars)

For the year ended December 31, 2015, the Company had two significant customers; one represented 47%, and the other represented 14% of total revenue.

Geographic information:

Geographically, the Company operates primarily in Canada and the United States.

Information regarding the results of each geographic area is included below:

	Year ended December 31, 2016			**Year ended December 31, 2015**		
	Canada	United States	Total	Canada	United States	Total
Revenue	$ 7,683,710	$ 1,107,246	$ 8,790,956	$ 6,131,648	$ 1,350,077	$ 7,481,725
Finance costs	(15,300)	-	(15,300)	(128,222)	-	(128,222)
Amortization	(381,519)	-	(381,519)	(405,687)	-	(405,687)
Trade and other receivables	610,040	67,085	677,125	525,849	-	525,849
Equipment	429,736	-	429,736	394,076	-	394,076
Intangible assets	1,851,643	-	1,851,643	2,079,385	-	2,079,385

12. Investment Tax Credits and Government Assistance

The Company received a refund with respect to Scientific Research and Experimental Development ("SR&ED") tax credits in the amount of $60,924 during the year ended December 31, 2016 (2015 - $48,820). These amounts were recorded as a reduction of technology expense in the consolidated statements of comprehensive loss.

The Company received a refund with respect to Ontario Interactive Digital Media Tax Credits ("OIDMTC") in the amount $197,103 during the year ended December 31, 2015, which was recorded as a reduction of direct operating expense, technology expense, and selling and business development expense in the consolidated statements of comprehensive loss. OIDMTC refunds were not received during the year ended December 31, 2016.

(in Canadian dollars)

13. Personnel expenses and share-based compensation

Personnel expenses

Personnel expenses consist of and are presented in the consolidated statements of comprehensive loss as follows:

		2016		2015
Wages, salaries and benefits	$	4,392,136	$	4,192,121
Share-based compensation		398,907		630,309
	$	**4,791,043**	**$**	**4,822,430**
Direct operating expenses		577,060		832,938
Technology		1,587,854		1,175,566
Selling and business development		709,171		848,472
General and administration		1,916,958		1,965,454
	$	**4,791,043**	**$**	**4,822,430**

Share-based compensation comprises amounts related to stock options granted to employees, officers, contractors and directors of $233,908 (2015 – $443,859); and amounts related to deferred share units granted to directors of $165,000 (2015 – $186,450) .

Share-based compensation – Options

The Company has established a Stock Option Plan ("Option Plan") whereby the Company may grant options to purchase common shares of the Company to its directors, officers, employees and consultants. The number of authorized common shares that may be issued upon the exercise of options granted under the Option Plan, at any time, plus the number of common shares reserved for issuance under outstanding incentive stock options otherwise granted by the Company, may not exceed 10% of the Company's then issued and outstanding common shares on a non-diluted basis. Such aggregate number of common shares shall automatically increase or decrease as the number of issued and outstanding common shares changes. The Board of Directors has authority to determine which eligible persons will be issued options, the number of options to be granted to each, the time when options shall be granted, when such options will vest, when such options will expire, and at what price the options may be exercised.

(in Canadian dollars)

(Note 13 - continued)

The number and weighted average exercise prices of share options are as follows:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Outstanding December 31, 2014	2,789,475	$	0.200	3.6
Granted	2,333,000	$	0.335	
Expired	(270,000)	$	0.370	
Outstanding December 31, 2015	4,852,475	$	0.255	3.6
Granted	1,000,000	$	0.300	
Exercised	(75,000)	$	0.120	
Expired	(50,000)	$	0.290	
Outstanding December 31, 2016	5,727,475	$	0.264	3.0

The fair value of options granted during the period was determined at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Exercise price	$0.30
Common share value at grant date	$0.26
Risk free interest rate	0.58% to 0.65%
Expected dividend yield	0%
Expected share volatility	103.09% to 122.78%
Expected life	2.5 to 4 years

Volatilities are calculated based on the actual historical trading statistics of the Company's common shares for the period commensurate with the expected option term.

For the year ended December 31, 2016, the Company recorded share-based compensation expense of $233,908 (2015 - $443,859) related to stock options granted to employees, officers, contractors and directors, which is included in technology expense, selling and business development expense, and general and administration expense.

			For the Year Ended December 31, 2016					
Range of Exerice Prices	Options Granted and Outstanding at December 31, 2016	Vested	Unvested		Weighted Average Exercise Price of Outstanding Options	Weighted Average Remaining Contractual Life in Years		Weighted Average Exercise Price of Vested Options
$0.11 to 0.20	2,068,750	2,068,750	-	$	0.165	2.0	$	0.165
$0.21 to 0.30	1,325,725	575,725	750,000		0.295	4.2		0.289
$0.31 to 0.40	2,333,000	1,166,500	1,166,500		0.335	3.1		0.335
	5,727,475	3,810,975	1,916,500	$	0.264	3.0	$	0.236

(in Canadian dollars)

(Note 13 - continued)

For the Year Ended December 31, 2015						
Range of Exerice Prices	Options Granted and Outstanding at December 31, 2015	Vested	Unvested	Weighted Average Exercise Price of Outstanding Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price of Vested Options
S0.11 to 0.20	2,143,750	2,068,750	75,000	$ 0.164	3.0	$ 0.164
$0.21 to 0.30	375,725	329,913	45,812	0.282	3.1	0.284
$0.31 to 0.40	2,333,000	583,250	1,749,750	0.335	4.1	0.335
	4,852,475	2,981,913	1,870,562	$ 0.255	3.6	$ 0.210

Share-based compensation – Deferred Share Unit Plan

The Company has a Directors Deferred Share Unit Plan ("DSU Plan") for non-management directors. Under the DSU Plan, Directors who are entitled to receive compensation under the Company's Director Compensation Program, which currently excludes Directors who are also employees of the Company, are granted DSUs in lieu of some or all of their Director compensation entitlement. Under this plan, Deferred Share Units ("DSUs") are granted to eligible Directors bi-annually in arrears on the last trading day prior to the Company's annual meeting and the last trading day of December and vest immediately upon being granted. The number of DSUs to be granted is calculated by dividing the amount that the Director would have received as compensation in cash by the market price of the Company's common shares on the relevant date. Upon the Director ceasing to be a Director, the value of his or her Deferred Share Unit Account ("DSU Account") will be determined on the date specified in the DSU Plan by multiplying the number of DSUs in the Director's DSU Account by the market price of the common shares as at such date, and will be settled prior to December 31st of the year following the date that the Director ceases to be a director of the Company. The actual settlement of a DSU Account will be made by way of cash or shares, or a combination of both, as determined under the Company's then-current Director Compensation Program. It is currently the Company's option and intent to settle any DSU redemptions with common shares.

A summary of the DSUs outstanding under this share based incentive plan is presented below.

	Number of Units		Amount
Outstanding December 31, 2014	482,324	$	139,875
Granted	737,343		186,450
Outstanding December 31, 2015	1,219,667	$	326,325
Granted	566,125		165,000
Outstanding December 31, 2016	1,785,792	$	491,325

For the year ended December 31, 2016, the Company recorded share-based compensation expense of $165,000 (2015 – $186,450) related to DSUs granted to directors, which is included in general and administration expense.

(in Canadian dollars)

14. Finance costs

		2016		2015
Finance income	$	335	$	1,708
Finance costs:				
Secured term credit facility - accretion expense		(3,153)		(12,610)
Secured term credit facility - interest costs		(10,404)		(31,430)
Secured term credit facility - bonus provision		-		(44,550)
Debt component of Series I Preference Shares - accretion expense		-		(15,544)
Debt component of Series I Preference Shares - accrued dividends		-		(23,118)
Debt financing of vehicles		(2,078)		(2,678)
	$	**(15,300)**	**$**	**(128,222)**

15. Loss per share

There were no dilutive items outstanding at December 31, 2016 or at December 31, 2015. Diluted loss per share does not take into account any outstanding warrants, options, or deferred share units as their effect would be anti-dilutive for these periods. As at December 31, 2016, there were a total of:

- 4,538,611 warrants outstanding (2015 – 8,352,944);
- 5,727,475 options outstanding (2015 – 4,852,475); and
- 1,785,792 deferred share units outstanding, (2015 – 1,219,667);

16. Supplementary cash flow information

	Year Ended			
		December 31, 2016		December 31, 2015
Changes in non-cash operating assets and liabilities:				
Trade and other receivables	$	(151,276)	$	(246,150)
Prepaid expenses and other current assets		(4,673)		(3,328)
Accounts payable and accrued liabilities		126,768		310,353
Unearned revenue		91,604		153,249
	$	**62,423**	**$**	**214,124**

- Excluded in the changes in accounts payable and accrued liabilities in 2016 is bonus interest paid of $165,550 related to the secured term credit facility (see note 7(a)). This amount is included in interest paid in the Consolidated Statement of Cash Flows.
- In the year ended December 31, 2015, the Company recorded accrued dividends in the amount of $23,118 and converted $63,320 accrued dividends into common shares for which no similar amount occurred in the year ended December 31, 2016.
- In April 2015, the Company issued 1,153,223 common shares and 576,611 warrants to settle the conversion of 357,500 Series 1 Preference Shares.

17. Commitments

The Company is committed to minimum payments under service agreements, purchase commitments, and operating leases in the following amounts:

As at		**December 31, 2016**
Due within 1 year	$	820,992
Due from 1 to 2 years		930,275
Due from 2 to 5 years		3,272,110
Due more than 5 years		3,445,000

18. Financial risk management

The Company is exposed to credit risk, liquidity risk, foreign exchange risk, and interest rate risk from its financial assets and liabilities. Financial risk management strategies are designed to ensure the Company's risks and related exposures are consistent with its business objectives and risk tolerance.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Financial risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for assisting in developing and monitoring the Company's financial risk management policies. The Audit Committee reports regularly to the Board of Directors.

The Company's financial risk management policies are established to identify and analyze the financial risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits and controls. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's financial risk management policies and procedures, and reviews the adequacy of the financial risk management framework in relation to the financial risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash.

(in Canadian dollars)

(Note 18 - continued)

Trade and other receivables
The Company's exposure to credit risk is influenced by the individual characteristics of each customer. Given the current volume of customers, the Company assesses the credit worthiness of each customer on a customer by customer basis. Management also considers the demographics of the Company's customer base, including the default risk of the industry in which the customers operate, as these factors also have an influence on credit risk. A large portion of the Company's accounts receivable are with public sector government or government related agencies, or with partners for whom the end customer is a public sector government or government related agency, where credit risk has historically been assessed as low.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is comprised entirely of a specific loss component that relates to individually significant exposures. The Company writes off balances when it becomes apparent that the customer has no intent or no ability to pay for the Company's services.

Cash
The credit risk related to cash is minimized by ensuring cash is held only in highly rated financial institutions.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

As at	December 31, 2016	December 31, 2015
Cash	$ 2,221,432	$ 2,600,269
Trade and other receivables	677,125	525,849
	$ 2,898,557	$ 3,126,118

At December 31, 2016, two customers each accounted for more than 10% of trade accounts receivable, net, totalling approximately 62% of trade accounts receivable at December 31, 2016, of which 100% was collected subsequent to December 31, 2016.

At December 31, 2015, three customers each accounted for more than 10% of trade accounts receivable, net, totalling approximately 65% of trade accounts receivable at December 31, 2015, of which 100% was collected subsequent to December 31, 2015.

Impairment losses

The aging of loans and receivables at the reporting date was:

As at	December 31, 2016	December 31, 2015
Current	$ 598,082	$ 479,176
Past due 1-90 days	29,268	46,517
Past due over 90 days	49,775	156
	$ 677,125	$ 525,849

(in Canadian dollars)

(Note 18 - continued)

Specific provisions are made against trade receivables for any customer that is known to be in poor financial condition or for any other reason it is considered doubtful that the customer's balance outstanding will be settled in full. There was no allowance for doubtful accounts at December 31, 2015. In 2016, the Company recorded an impairment allowance of $45,538 with respect to one of its customers which is included as a reduction of trade and other receivables at December 31, 2016. This allowance has been established based on management's assessment of the likelihood of collection for specific customer balances. Based on historic default rates, the Company believes that, apart from the above, no further impairment allowance is necessary with respect to trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. On an ongoing basis, the Company monitors and manages its actual and projected cash flows, with the primary objectives of maintaining liquidity and financial flexibility.

The following are the remaining undiscounted contractual cash flows, including estimated interest payments of financial liabilities at the end of the reporting dates:

		Contractual cash outflows				
As at December 31, 2016	**Carrying Amounts**	**Total**	**within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Accounts payable and accrued liabilities	$ 1,205,631	$ 1,205,631	$1,205,631	$ -	$ -	$ -
Debt financing of vehicles	29,013	31,345	12,390	12,390	6,565	-
Operating leases	-	748,377	205,992	165,275	377,110	-
Purchase commitments	-	7,720,000	615,000	765,000	2,895,000	3,445,000
	$ 1,234,644	$ 9,705,353	$2,039,013	$ 942,665	$ 3,278,675	$ 3,445,000

		Contractual cash outflows				
As at December 31, 2015	**Carrying Amounts**	**Total**	**within 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Accounts payable and accrued liabilities	$ 1,244,414	$ 1,244,414	$1,244,414	$ -	$ -	$ -
Secured term credit facility	596,847	608,750	608,750	-	-	-
Debt financing of vehicles	39,325	43,736	12,390	12,390	18,956	-
Operating leases	-	1,180,991	223,096	247,896	656,225	53,774
Purchase commitment	-	8,035,000	265,000	665,000	2,595,000	4,510,000
	$ 1,880,586	$11,112,891	$2,353,650	$ 925,286	$ 3,270,181	$ 4,563,774

(Note 18 - continued)

The Company was obligated to pay a bonus amount with respect to the secured term credit facility at the maturity of the loan. Included in the above noted undiscounted contractual cash flows as at December 31, 2015 is a bonus interest payment amount of $165,550. In 2015, the amount related to the bonus interest payment of $165,550 was included in accounts payable and accrued liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The international operations of the Company expose it to foreign currency exchange risk in the ordinary course of business. The Company is exposed to this risk primarily through its United States dollar denominated cash, accounts receivable, accounts payable and accrued liabilities. The nature, extent and timing of foreign currency denominated cash flows are regularly monitored to identify changes in exposure and assess the need for active management. The Company does not hedge its foreign currency exchange risk at this time.

The Company's exposure to foreign currency risk was as follows based on notional amounts (all amounts shown in CAD):

As at	**December 31, 2016**		
	CAD	**USD**	**Total**
Cash	$ 1,408,536	$ 812,896	$ 2,221,432
Trade and other receivables	610,040	$ 67,085	677,125
Accounts payable and accrued liabilities	(1,067,691)	(137,940)	(1,205,631)
Long-term debt	(29,013)	-	(29,013)
	$ 921,872	$ 742,041	$ 1,663,913

As at	**December 31, 2015**		
	CAD	**USD**	**Total**
Cash	$ 2,153,508	$ 446,761	$ 2,600,269
Trade and other receivables	525,849	-	525,849
Accounts payable and accrued liabilities	(1,101,350)	(143,064)	(1,244,414)
Long-term debt	(636,172)	-	(636,172)
	$ 941,835	$ 303,697	$ 1,245,532

Sensitivity analysis

An 8% strengthening of the USD against the CAD at December 31, 2016 would have increased equity and decreased the loss for the year by approximately $63,000. An 8% weakening of the USD against the CAD at those dates would have had the equal but opposite effect, on the basis that all other variables remain constant.

(in Canadian dollars)

(Note 18 - continued)

Interest rate risk

All of the Company's debt has fixed interest rates; therefore, changes in interest rates do not have an impact on the results of the Company.

Capital management

The Company defines capital as debt and equity, which it determines as follows:

As at	December 31, 2016	December 31, 2015
Secured term credit facility	$ -	$ 596,847
Debt financing of vehicles	29,013	39,325
Shareholders' Equity	2,597,555	2,458,187
	$ 2,626,568	$ 3,094,359

The Company's objectives in managing capital are to:

- Ensure financial capacity to meet current obligations is maintained and continue as a going concern;
- Ensure financial capacity to execute strategic plans is maintained; and
- Prevent capital erosion.

In order to manage capital, the Company regularly identifies and assesses risks that threaten the ability to meet the Company's capital management objectives, and determines the appropriate strategy to mitigate these risks. In order to maintain or adjust the capital structure, the Company may incur or repay debt, issue new shares, purchase shares for cancellation, or a combination thereof.

During the term of the secured term credit facility, the Company was subject to certain financial covenants, and was in compliance with all such covenants as at December 31, 2015. In April 2016 the Company repaid in full the principal and related bonus interest of its secured term credit facility.

The Company is not subject to any externally imposed capital requirements as at December 31, 2016.

19. Financial instruments

Fair Values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statements of financial position, are as follows:

Fair Values:

As at	December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	$ 2,221,432	$ 2,221,432	$ 2,600,269	$ 2,600,269
Trade and other receivables	677,125	677,125	525,849	525,849
Accounts payable and accrued liabilities	(1,205,631)	(1,205,631)	(1,244,414)	(1,244,414)
Secured term credit facility	-	-	(596,847)	(583,801)
Debt financing of vehicles	(29,013)	(29,013)	(39,325)	(39,325)
	$ 1,663,913	$ 1,663,913	$ 1,245,532	$ 1,258,578

(Note 19 - continued)

Cash, trade and other receivables, and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the secured term credit facility and debt financing of vehicles were determined based on present valuing future estimated cash flows using market rates of interest.

20. Subsequent events

(i) Warrant Exercise

On January 24, 2017, 1,481,000 Series I purchase warrants previously issued under a private placement to the Executive Chair of the Company, were exercised for 1,481,000 Common Shares at an exercise price of $0.15 per share, for total gross proceeds of $222,150.

(ii) Warrant expiry

On March 29, 2017, 576,611 Series G common share purchase warrants previously issued for the purchase of 576,611 common shares at a price of $0.31 expired unexercised.

(iii) Stock Option Grant

In April 2017, the Company granted 240,000 stock options to a consultant, such options having an exercise price of $0.30. These options have a five year life and vest evenly over two years from the grant date.

(iv) Stock Option Exercise

In April 2017, 175,000 options were excercised, resulting in the issuance of 175,000 Common Shares.