RSI INTERNATIONAL SYSTEMS INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

(In Canadian Dollars)

Management’s Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the directors to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board/Committee and management to discuss their audit findings.

April 21, 2016

(signed)	(signed)
“Charles Ku”	“Giovanni Susin”
President and Chief Executive Officer	Chief Financial Officer

MNP LLP

Independent Auditors' Report

To the Shareholders of RSI International Systems Inc.:

We have audited the accompanying consolidated financial statements of RSI International Systems Inc., and its subsidiary, (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and 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 an 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 the auditors' 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, the auditor considers 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of RSI International Systems Inc. and its subsidiary as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years the ended in accordance with International Financial Reporting Standards.

April 21, 2016

Vancouver, BC

Chartered Professional Accountants

RSI INTERNATIONAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

	Notes		**December 31, 2015**		December 31, 2014
ASSETS					
Current					
Cash & Cash Equivalents		**$**	**1,145,427**	$	1,269,787
Accounts Receivable, net of allowance	4		**230,649**		202,284
GST Receivable			**4,218**		-
Prepaid Expenses	5		**77,986**		21,584
			1,458,280		1,493,655
Long-Term Accounts Receivable			-		2,625
Long-Term Prepaid Expenses	5		**34,938**		45,369
Equipment	6		**44,911**		16,944
Deferred Development Costs	7		**393,065**		245,366
		$	**1,931,194**	$	1,803,959
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts Payable & Accrued Liabilities		**$**	**468,380**	$	373,826
GST Payable			-		17,424
Current Portion of Deferred Revenue	8		**369,996**		222,812
			838,376		614,062
Deferred Revenue	8		**-**		26,509
			838,376		640,571
Shareholders' Equity					
Share Capital	9		**5,177,009**		4,944,564
Shares to be Issued	9		**-**		67,500
Share Subscription Receivable	9		**-**		(10,492)
Contributed Surplus			**300,582**		338,854
Deficit			**(4,384,773)**		(4,177,038)
			1,092,818		1,163,388
		$	**1,931,194**	$	1,803,959

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

RSI INTERNATIONAL SYSTEMS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(in Canadian dollars)

	Notes	2015	2014
REVENUES		**$ 4,492,422**	$ 3,327,328
COST OF SALES		**676,328**	453,860
GROSS PROFIT		**3,816,094**	2,873,468
EXPENSES			
Amortization of Equipment	6	**15,669**	6,900
Amortization of Deferred Development Costs	7	**95,152**	395,130
Amortization of Intangible Assets		**-**	20,900
Bad Debt	4	**16,159**	51,250
Business Development and Travel		**237,172**	227,873
Consulting Fees		**-**	42,000
Filing and Transfer Agent Fees		**15,467**	17,354
Foreign Exchange (Gain) Loss		**(488,679)**	(43,858)
Internet and Networking		**63,667**	76,547
Interests and Bank Charges		**54,388**	44,170
Marketing		**237,537**	129,289
Office and Miscellaneous		**81,764**	19,772
Professional Fees		**178,870**	135,626
Rent and Utilities		**165,571**	139,302
Salaries and Benefits		**3,331,140**	2,554,039
Software Licenses		**19,952**	39,455
Stock-Based Compensation		**-**	124,500
		4,023,829	3,980,249
LOSS BEFORE OTHER INCOME		**$ (207,735)**	$ (1,106,781)
Other income		**-**	53,793
NET AND COMPREHENSIVE LOSS FOR THE YEAR		**(207,735)**	(1,052.988)
Loss Per Share - Basic and Diluted		**$ (0.01)**	$ (0.05)
Weighted average number of shares outstanding – basic and diluted		**31,021,371**	22,293,668

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

RSI INTERNATIONAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in Canadian dollars, except share number)

		Issued Common Shares				Allotted Common Shares					
	Notes	Number	Amount Received	Amount Receivable	Subscription Amount Received	Number	Amount	Shares to be Issued	Contributed Surplus	Deficit	Total Equity
			$	$	$		$	$	$	$	$
BALANCE, DECEMBER 31, 2013		17,804,627	3,427,049	(84,000)	-	250,000	5,572	-	246,282	(3,124,050)	470,853
Shares issued for acquisition payment		250,000	37,500	-	-	(250,000)	(5,572)	-	(31,928)	-	-
Collection of amount receivable for private placement	9	-	-	84,000	-	-	-	-	-	-	84,000
Shares to be issued	9	-	-	-	-	-	-	67,500	-	-	67,500
Share-based payment	9	-	-	-	-	-	-	-	124,500	-	124,500
Shares issued for private placements	9	12,499,999	1,500,000	(10,492)	-	-	-	-	-	-	1,489,508
Share issuance costs	9	-	(19,985)	-	-	-	-	-	-	-	(19,985)
Net and comprehensive loss for the year		-	-	-	-	-	-	-	-	(1,052,988)	(1,052,988)
BALANCE, DECEMBER 31, 2014		30,554,626	4,944,564	(10,492)	-	-	-	67,500	338,854	(4,177,038)	1,163,388
Cancellation of share subscription receivable		-	(1,202)	-	-	-	-	-	-	-	(1,202)
Collection of amount receivable for private placement	9	-	-	10,492	-	-	-	-	-	-	10,492
Shares issued upon exercise of options	9	450,000	51,000	-	-	-	-	-	-	-	51,000
Fair value of options exercised		-	38,272	-	-	-	-	-	(38,272)		-
Shares issued upon exercise of warrants	9	962,500	144,375	-	-	-	-	(67,500)	-	-	76,875
Net and comprehensive income for the year		-	-	-	-	-	-	-	-	(207,735)	(207,735)
BALANCE, DECEMBER 31, 2015		**31,967,126**	**5,177,009**	**-**	**-**	**-**	**-**	**-**	**300,582**	**(4,384,773)**	**1,092,818**

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

RSI INTERNATIONAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(in Canadian dollars)

	Notes	**2015**	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss for the Year		**$ (207,735)**	$ (1,052,988)
Items not Affecting Cash:			
Amortization of Equipment		**15,669**	6,900
Amortization of Deferred Development Costs		**95,152**	395,130
Amortization of Intangible Assets		**-**	20,900
Bad Debt		**16,159**	51,251
Stock-Based Compensation		**-**	124,500
		(80,755)	(454,309)
Changes in Non-Cash Working Capital Items:			
Increase in Accounts Receivable		**(44,524)**	(20,069)
Increase in Prepaid Expenses		**(43,346)**	(24,270)
Increase in Accounts Payable and Accrued Liabilities		**94,554**	179,014
Decrease in GST Payable		**(21,642)**	(30,069)
Increase in Deferred Revenue		**120,675**	17,659
Net Cash Provided by (Used in) Operating Activities		**24,962**	(332,044)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Equipment		**(43,636)**	(15,645)
Deferred Development Costs		**(242,851)**	(85,590)
Net Cash Used in Investing Activities		**(286,487)**	(101,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Loan Payable and Operating Line of Credit		**-**	(97,367)
Issuance of Common Shares, net of shares issuance costs		**-**	1,621,023
Exercise of Options		**51,000**	-
Exercise of Warrants		**76,875**	-
Subscription to Private Placement, net of cancellation		**9,290**	-
Net Cash Provided by Financing Activities		**137,165**	1,523,656
Change in Cash during the Year		**(124,360)**	1,090,377
Cash and Cash Equivalents, Beginning of Year		**1,269,787**	179,410
Cash and Cash Equivalents, End of Year		**$ 1,145,427**	$ 1,269,787

Supplemental Cash flow information:

Cash paid during the year for interest		$ -	$ 8,683

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

1. NATURE OF OPERATIONS

RSI International Systems Inc. ("RSI" or the "Company") is a publicly listed company incorporated under the laws of British Columbia, Canada. The address of the Company's head and registered office is 402 – 134 Abbott Street, Vancouver, BC V6B 2K4. The consolidated financial statements of the Company as at and for the year ended December 31, 2015 include the Company and its subsidiary (together referred to as the "Group"). The Group is in the business of providing an integrated web-based real-time reservation and property management system to the hotel and resort industries.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 21, 2016.

These financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations for the foreseeable future.

Since 2012, the Company has focused on product development and enhancement, rebranding its brand and website and in 2013, 2014 and 2015, on sales and marketing activities. These activities have been funded by a combination of revenue generated from the sale of the Company's products and services, equity financings, line of credits and short-term loans. The Company's expenses have exceeded its revenue for the past two years, and has incurred a net loss for the year ended December 31, 2015 of $207,735 (2014 - $1,052,988) and an accumulated deficit as of December 31, 2015 of $4,384,773 (2014 – $4,177,038).

Management's current strategy is to focus on gaining worldwide market share of the hotel lodging industry, at the same time to exercise careful cost control to sustain operations in the near term. Management recognizes the Company's need to expand its cash reserves in the coming year if it intends to adhere to its sales and marketing plans and has evaluated its potential sources of funds, including: increased revenue from sale of its products and services and possible equity financing options. Although Management intends to assess and act on these options through the course of the year, there can be no assurance that the steps Management takes will be successful.

2. BASIS OF PRESENTATION

Statement of Compliance

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Preparation

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

2. BASIS OF PRESENTATION

Basis of Preparation (continued)

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting except cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Veratta Technologies (2011) Inc. All significant inter-company balances and transactions have been eliminated upon consolidation.

Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of the financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Estimates and assumptions

- **Allowance for doubtful accounts**

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is estimated and recorded based on management's assessment of credit history with the customers and current relationships with them.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments and Estimates (continued)

- **Impairment of non-financial assets**

The Company assesses the carrying value of non-financial assets, including equipment, deferred development cost and intangible assets at each reporting date to determine whether there are any indicators that the carrying amounts of the assets may be impaired. The Company follows IFRS 36 to determine if there are impairment indicators. This determination requires significant judgement. The Company tests annually whether deferred development cost not ready to use has suffered impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on the value-in-use calculations.

- **Share-based payments**

Share-based payments are valued using the Black-Scholes option pricing model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

- **Deferred taxes**

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

- **Going concern**

The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through the issuance of share capital involves judgment. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

- **Capitalization of deferred development costs**

The application of the Company's accounting policy for capitalization of deferred development costs requires judgment in determining which development expenditures are recognized as intangible assets and applying the policy consistently. In making this determination, the Company considers the degree to which the development expenditure can be associated with developing new proprietary products.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid instruments that are readily convertible to cash with a maturity of three months or less when initially purchased. As at December 31, 2015 and 2014, there were no cash equivalents.

Foreign Currency Transactions

The Company's and its subsidiary's functional currency and reporting currency is the Canadian dollars and transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the transaction dates or at the average exchange rate for the month in which the transaction occurs or the revenue is recognized. At each month-end, monetary assets and liabilities are re-valued at the month-end exchange rates. Exchange gains and losses on translations are included in operations.

Equipment

Equipment is stated at cost less accumulated amortization.

- Amortization of office equipment is calculated on a straight-line basis over 36 months;
- Amortization of computer equipment and leasehold improvements is calculated on a straight-line basis over three years and the term of the lease agreement, respectively;
- Amortization of computer software is calculated based on a declining balance of 100%.

Impairment of Non-Financial Assets

Intangible assets and deferred development costs not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Revenue Recognition

The Company derives its revenue primarily from monthly subscription fees for access to its web-based real time reservation and property management system and its support services. It also generates revenue from provision of professional services such as set up services, initial interface, and systems configuration.

Revenue from the rendering of services is recognized when the following criteria are met:

- The amount of revenue can be measured reliably
- The receipt of economic benefits is probable; and
- Costs incurred and to be incurred can be measured reliably

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Subscription-based services:
Subscription fees, consisting primarily of monthly charges for access to the Company's web based reservation and property management system and customer support services, are recognized as revenue over the associated subscription period. Where applicable, usage fees above a base minimum fees based on actual usage, are recognized as services are delivered. Subscription revenue received in advance of the delivery of services is included in deferred revenue.

Professional services:
Revenue associated with professional services such as initial interface, systems configuration or training are recognized upon delivery of services.

Commission revenue:
Commission revenue is recognized on a net basis based on actual usage.

Multiple component arrangements:
When a single sales transaction requires the delivery of more than one product or service (multiple components), the revenue recognition criteria are applied to the separately identifiable components. A component is considered to be separately identifiable if the product or service delivered has stand-alone value to the customer and the fair value associated with the product or service can be measured reliably. The total contract consideration for these units is measured and allocated amongst the accounting units based upon the fair value of each component in relation to the fair value of the arrangement as a whole. Otherwise, the entire arrangement is treated as one unit of accounting and revenue is deferred and recognized ratably over the remaining term of the contract, commencing when all elements are delivered.

Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. The Board of Directors grants such options with vesting periods determined at the sole discretion of the Board and at prices reflecting the share price on the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes ("direct employee") or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized, together with a corresponding increase in share option reserve in equity, over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options are granted. The cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The income statement expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied 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 to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. Options and warrants are dilutive when they would result in the issue of common shares for less than the average market price of common shares during the period minus the issue price. For the years ended December 31, 2015 and 2014 all options are anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Disclosure

The Company's primary objective when managing capital is to maintain sufficient resources and raise funding to support current and long-term operating needs. The ability to continue as a going concern is essential to the Company's goal of providing returns and shareholders and other stakeholders. The capital structure of the Company consists of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the level of funds available to the Company to manage its operations. The Company balances its overall capital through new share issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements. There have been no significant changes in the Company's approach to capital management during the year.

Business Combinations and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred is measured as the aggregate of the acquisition date fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquire. Any transaction costs attributable to the business combination are recognized in profit or loss as incurred. Any contingent consideration to be transferred will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity.

Any goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, a gain is recognized immediately in the net earnings in the period in which the acquisition occurred.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of annual impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Deferred Development Costs

The Company carries on various research and development activities to develop new proprietary products. Net research costs are expensed in the periods in which they are incurred. Development costs that meet all of the criteria to be recognized as an intangible asset, including reasonable expectation regarding future economic benefits, are recognized as assets and recorded in deferred development costs. Following initial recognition, the deferred development costs are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the assets begins when development is complete and the asset is available for use. The deferred development costs are being amortized on straight line method over the period of expected future benefit, which is estimated to be 3 to 5 years. During the period of development, the asset is tested for impairment annually.

Financial Instruments

Financial Assets

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, long-term receivables, bank operating line of credit, accounts payable and accrued liabilities, acquisition payable, and loan payable. Cash and cash equivalents and bank operating line of credit are classified as fair value through profit or loss and recorded at fair value. Accounts receivable and long-term receivables are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, acquisition payable and loan payable are classified as other financial liabilities, which are measured at amortized cost. The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial Assets (continued)

Fair value through profit or loss – this category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Loans and receivables – these assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default.

Held-to-maturity investments – these assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

Available-for-sale – non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and comprehensive loss.

All financial assets, except those at fair value through profit or loss, are subject to review for whether there is any objective evidence of impairment at least at each reporting date. Different criteria are applied for each category of financial assets described above to determine impairment. If there is objective evidence that an impairment loss has been incurred, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The amount of loss is recognized in the statement of operations. The previously recognized impairment loss is reversed in a subsequent period if the amount of impairment loss decreases and the decrease is related to an event occurring after the initial recognition of the impairment loss. However, the reversal will not result in the carrying amount of the financial asset that exceeds the amortized cost would have been had the impairment not been recognized at the date of impairment reversal. The amount of impairment reversal is recognized in the statements of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, at initial recognition. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – this category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in the fair value recognized in the statement of operations.

Other financial liabilities – this category includes bank operating line of credit, accounts payable and accrued liabilities, acquisition payable, and loan payable, all of which are recognized at amortized cost.

Change in Accounting Policies

The following new standards, interpretations, amendments and improvements to existing standards issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") were adopted as of January 1, 2015 without any material impact to the Company's consolidated financial statements:

IFRS 3 – Business Combinations
The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. Additional amendments to IFRS 3, issued in December 2013, clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

IFRS 13 – Fair Value Measurement
The amendments to IFRS 13, issued in December 2013, clarify that the portfolio exception applies to all contracts within the scope of IFRS 9 Financial instruments or IAS 39 Financial instruments: Recognition and measurement, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial instruments: Presentation.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets
The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Policies (continued)

IAS 24 – Related Party Disclosures
The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation.

Accounting Standards Issued but Not Yet Effective

The following standards and interpretations have not been in effect as they will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determined whether it will adopt the standards early.

IFRS 9 Financial instruments
IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses from sale of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards Issued but Not Yet Effective (continued)

IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

4. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	Total	Current	31 - 60 Days	60 - 90 Days	> 90 Days
December 31, 2015	$ 230,649	$ 93,763	$ 58,182	$ 37,238	$ 41,466
December 31, 2014	$ 202,284	$ 36,499	$ 124,108	$ 6,414	$ 35,263

As at December 31, 2015, accounts receivable of an initial value of $17,079 (December 31, 2014 - $26,750) were impaired and fully provided for allowance. See below for the movements in the provision for impairment of receivables.

	$
As of December 31, 2013	262
Charge for the year	51,251
Utilized	(24,763)
As of December 31, 2014	26,750
Charge for the period	16,159
Utilized	(25,830)
As of December 31, 2015	17,079

5. PREPAID EXPENSES AND LONG-TERM PREPAID EXPENSES

Prepaid expense balances represent trade-show deposits and advances paid to suppliers for services to be rendered in the fiscal years 2015 and 2014.

Long-term prepaid expense represents rental deposits paid to the landlords in relation to the office lease agreements for its premises, including deposits related to sub-leased premises. The deposits are classified as long-term assets since the leases mature beyond December 31, 2016.

6. EQUIPMENT

Cost	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
December 31, 2013	$ 131,486	$ 64,286	$ 12,123	$ 5,415	$ 213,310
Additions	6,950	-	8,695	-	15,645
December 31, 2014	138,436	64,286	20,818	5,415	228,955
Additions	27,544	-	16,092	-	43,636
December 31, 2015	$ 165,980	$ 64,286	$ 36,910	$ 5,415	$ 272,591

Accumulated Amortization	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
December 31, 2013	$ 130,745	$ 64,286	$ 4,665	$ 5,415	$ 205,111
Additions	2,095	-	4,805	-	6,900
December 31, 2014	132,840	64,286	9,470	5,415	212,011
Additions	5,480	-	10,189	-	15,669
December 31, 2015	$ 138,320	$ 64,286	$ 19,659	$ 5,415	$ 227,680

Carrying Amounts	Computer Equipment	Computer Software	Office Equipment	Leasehold Improvements	Total
December 31, 2014	$ 5,596	$ -	$ 11,348	$ -	$ 16,944
December 31, 2015	$ 27,660	$ -	$ 17,251	$ -	$ 44,911

7. DEFERRED DEVELOPMENT COSTS

During 2014 the Company wrote off $168,891 of Insight Web project due to a change in technology and the direction of development which rendered a portion of the previous work to be obsolete. Development costs related to X-Key and PCI compliance were also written off in 2014 as the technology will not be utilized in future versions of RoomKey PMS. In Q2 2015, the Company commenced work on a new project, RoomKey Web, to provide a more flexible platform for integration with partner products and customer reporting.

Cost	Vending Machine	Xkey	PCI Compliance	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2013	$ 75,900	$ 423,586	$ 73,839	$ 220,910	$ 221,484	$ 9,000	$ -	$ 1,024,719
Additions	-	-	-	-	85,590	-	-	85,590
December 31, 2014	75,900	423,586	73,839	220,910	307,074	9,000	-	1,110,309
Additions	-	-	-	-	-	-	242,851	242,851
December 31, 2015	$ 75,900	$ 423,586	$ 73,839	$ 220,910	$ 307,074	$ 9,000	$ 242,851	$ 1,353,160

Accumulated Amortization	Vending Machine	Xkey	PCI Compliance	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2013	$ 75,900	$ 262,797	$ 57,479	$ 73,637	$ -	$ -	$ -	$ 469,813
Additions	-	35,681	4,079	49,090	-	-	-	88,850
Disposals	-	125,108	12,281	-	168,891	-	-	306,280
December 31, 2014	75,900	423,586	73,839	122,727	168,891	-	-	864,943
Additions	-	-	-	49,091	46,061	-	-	95,152
December 31, 2015	$ 75,900	$ 423,586	$ 73,839	$ 171,818	$ 214,952	$ -	$ -	$ 960,095

Carrying Amounts	Vending Machine	Xkey	PCI Compliance	Insight	Insight Web	Loyalty	Roomkey Web	Total
December 31, 2014	$ -	$ -	$ -	$ 98,183	$ 138,183	$ 9,000	$ -	$ 245,366
December 31, 2015	$ -	$ -	$ -	$ 49,092	$ 92,122	$ 9,000	$ 242,851	$ 393,065

8. DEFERRED REVENUE AND CUSTOMER ADVANCES

Deferred revenue consists of pre-billed services, license fees, subscription fees and web design fees as follows:

	December 31, 2015	December 31, 2014
Deferred revenue	$ 369,996	$ 249,321
Current portion	369,996	(222,812)
Long-term portion	$ -	$ 26,509

At December 31, 2015, 83% (December 31, 2014 – 81%) of deferred revenue was denominated in US dollars, with the remaining 17% (December 31, 2014 – 19%) in Canadian dollars.

Deferred revenues are recognized in revenue when the service is provided.

9. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Escrow Shares

As at December 31, 2015, the Company has no escrow shares.

Private Placement

On October 24, 2014, The Company announced the completion of its private placement, issuing 12,499,999 units at $0.12 per unit for a total gross proceeds of $1,500,000, net of $19,985 issuance costs. Each unit is comprised of one common share and one-half of a share purchase warrant, with a whole warrant entitling the holder to purchase an additional common share at a price of $0.25 for a period of two years, expiring on October 21, 2016.

Stock Options

There were no options granted in the year ended December 31, 2015.

On May 27, 2014, the Board of Directors granted 1,000,000 stock options to the directors of the Company at an exercise price of $0.12 per share with a term of 5 years and 100% vested on grant date. In addition, on the same day, the Board of Directors also granted 200,000 stock options to the members of the Advisory Board of the Company at the same terms as the options granted to directors.

On June 20, 2014, the Board of Directors granted 150,000 stock options to the newly appointed director of the Company at an exercise price of $0.12 per share with a term of 5 years and 100% vested on grant date

The fair value of the stock options granted during the year was calculated as of the date of the grant using the Black-Scholes option pricing model with the following assumptions:

9. SHARE CAPITAL (continued)

Stock Options (continued)

	May 27, 2014 Grant	June 20, 2014 Grant
Risk-free interest rate	1.56%	1.57%
Expected life of options in years	5 years	5 years
Expected volatility	109%	109%
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

During the year, stock-based compensation expense of $nil (2014 - $124,500) was recognized. As at December 31, 2015 and 2014, all options granted were vested.

A summary of the Company's stock options as at December 31, 2015 and 2014 is as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding as at December 31, 2013	850,000	$ 0.10
Granted	1,350,000	$ 0.12
Options outstanding as at December 31, 2014	2,200,000	$ 0.11
Exercised	(450,000)	$ 0.11
Options outstanding as at December 31, 2015	1,750,000	$ 0.11

The weighted average remaining contractual life of the outstanding stock options at December 31, 2015 is 2.54 years (December 31, 2014 – 3.58 years).

Date Issued	Number of Options	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in Years)
March 27, 2012	700,000	$ 0.10	March 27, 2017	1.24
May 27, 2014	1,050,000	$ 0.12	May 27, 2019	3.41
	1,750,000	$ 0.11		2.54

9. SHARE CAPITAL (continued)

Warrants

A summary of the Company's warrants as at December 31, 2015 and 2014 are as follows:

	Number of Shares		Weighted Average Exercise Price
Warrants outstanding as at December 31, 2013	1,250,000	$	0.15
Exercised	*(450,000)	$	0.15
Issued October 21, 2014	6,250,000	$	0.25
Warrants outstanding as at December 31, 2014	7,050,000	$	0.24
Exercised	(512,500)	$	0.15
Expired	(287,500)	$	0.15
Warrants outstanding as at December 31, 2015	6,250,000	$	0.25

* Warrants were exercised during 2014 and the shares were issued during the year 2015.

The weighted average remaining contractual life of the outstanding warrants at December 31, 2015 and 2014 is as follows:

Date Issued	Number of Warrants		Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in Years)
October 21, 2014	6,250,000	$	0.25	October 21, 2016	0.75
Warrants outstanding as at December 31, 2015	6,250,000				0.75

10. RELATED PARTY TRANSACTIONS

Related party transactions not otherwise disclosed in these consolidated financial statements are as follows:

1. Consulting fee of $nil (December 31, 2014 - $42,000) was paid to a director of the Company.
2. Director fee of $12,000 (December 31, 2014 - $12,000) was paid to a director of the Company.
3. Salaries and employee benefits of $771,345 (December 31, 2014 - $619,360) were paid to key management personnel.
4. Incentive of $23,637 (2014 - $nil) was paid to the CEO of the Company.

Included in accounts payable and accrued liabilities at December 31, 2015 is $nil (December 31, 2014 – $3,513) receivable from directors.

These transactions are in the normal course of the operations on normal commercial terms and conditions and at exchange rates, which is the amount of consideration established and agreed to by the related parties.

11. FINANCIAL INSTRUMENTS

Financial Risk Management

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s maximum exposure to credit risk is in the carrying value of its cash and cash equivalents, accounts receivable and long-term receivables.

The Company’s exposure to credit risk associated with its accounts receivable are the risk that a customer will be unable to pay amounts due to the Company. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The credit risk of accounts receivable is affected by the customer base being concentrated in the hotel and travel industry. However, this is somewhat offset by the customer base being dispersed across various geographical locations.

As at December 31, 2015, there is $41,466 (2014 - $35,263) included in accounts receivable that is greater than 90 days old. However, the credit risk of these receivables is mitigated as they are generally comprised of sales involving “in-house” financing arrangements whereby the customer is paying for services over the term of their agreement. In-house financing arrangements are only provided to those customers following a valuation of their credit worthiness.

11. FINANCIAL INSTRUMENTS (continued)

Currency Risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. During the year ended December 31, 2015, 81% (2014 – 62%) of the Company's annual sales were dominated in US dollars. As a result, the relative strength of the Canadian dollar against its US counterpart during the year ended December 31, 2014 had an effect on revenue and net income (loss). A 10% variation of the US dollar would have an impact of approximately $367,369 (2014 - $210,000) on net income (loss), on an annual basis. The Company does not hedge its foreign currency exposure and accordingly is at risk for foreign currency price fluctuations.

Interest Rate Risk

The Company is only subject to interest rate risk on its cash balance in the bank and there is unlikely to be a material impact on net income (loss).

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time.

The financial liabilities on the consolidated statements of financial position consist of accounts payable and accrued liabilities.

A factor that affects the liquidity risk is that significant portions of the Company's revenue are derived from a small number of customers. During the year ended December 31, 2015, three customers (2014 – three customers) accounted for approximately 19% (2014 – 20%) of the Company's revenue. For the year ended December 31, 2015, one customer (2014 – two customers) accounted for a total of 48% (2014 – 29%) of the Company's accounts receivable.

The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves to meet its liquidity requirements at any point in time. Management has assessed liquidity risk and does not consider it to be significant at this time.

The Company has classified its financial instruments as follows:

11. FINANCIAL INSTRUMENTS (continued)

	2015 $	2014 $
Financial Assets		
Fair value through profit and loss, measured at fair value:		
Cash and cash equivalents	1,145,427	1,269,787
Loans and accounts receivables, recorded at amortized cost:		
Accounts receivable	230,649	202,284
Long-term receivables	-	2,625
Financial Liabilities		
Other financial liabilities, recorded at amortized cost:		
Accounts payable and accrued liabilities	468,380	373,826

Fair Value

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

Level 1 Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities

Level 2 Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly

Level 3 Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximates the fair value because of the short-term of these instruments.

The Company's financial instruments that must be recorded at fair value are presented in the following table:

		Fair Value Management		
As at December 31, 2015	Carrying Value	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalents	$ 1,145,427	$ 1,145,427	$ -	$ -

		Fair Value Management		
As at December 31, 2014	Carrying Value	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalents	$ 1,269,787	$ 1,269,787	$ -	$ -

12. SEGMENTED DISCLOSURE

A geographical breakdown of sales to customers is as follows:

	Year Ended December 31, 2015	%	Year Ended December 31, 2014	%
Canada	$ 820,814	18%	$ 811,469	24%
USA	3,114,178	69%	2,076,192	63%
Other	557,430	13%	439,667	13%
Total	$ 4,492,422	100%	$ 3,327,328	100%

All of the Company's non-current assets are located in Canada.

13. COMMITMENTS

The Company entered into an office lease agreement for its premises on October 1, 2012. The lease expires on September 30, 2017. In December 2013, the Company's landlord exercised a relocation clause in the lease agreement to relocate the Company to another office space. Management deemed the office space to be unsuitable for the Company's use. Unable to terminate the signed lease agreement, in February 2014 the Company agreed to a much smaller office space and renegotiated the terms of the lease agreement. The "new" lease is a continuation of the existing lease agreement and expires on September 30, 2017. The remaining minimum lease payments are as follow:

2016	$ 22,740
2017	17,055
Total	$ 39,795

As of October 2014, the Company has entered into a sub-lease agreement for the term November 1, 2014 to September 29, 2017. Payments receivable under the lease are as follows:

2016	$ 30,000
2017	22,500
Total	$ 52,500

Due to the above situation, in February 2014, the Company entered into another office lease agreement for its current premises. The lease expires on March 31, 2019. The minimum lease payments are as follows:

13. COMMITMENTS (continued)

2016	$	83,039
2017		83,888
2018		84,738
2019		21,238
Total	$	272,903

In addition, On December 14, 2015, the Company entered into a data service agreement for its data centre. The agreement expires on June 14, 2017. The minimum payments are as follows in USD:

2016	$	186,444
2017		93,222
Total	$	279,666

14. INCOME TAX

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended December 31, 2015 and 2014:

		2015		2014
Net income (loss) before tax	$	(207,735)	$	(1,052,988)
Expected income tax expense (recovery) at 26%		(54,011)		(273,777)
Non-deductible items		1,359		33,955
Share issuance costs		-		(5,196)
Change in estimates		(25,223)		27,152
Change in deferred tax assets not recognized		77,875		217,866
Income tax payable	$	-	$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) at December 31, 2015 and 2014 are comprised of the following:

14. INCOME TAX (continued)

	2015	2014
Non-capital loss carried forward	$ 561,846	$ 513,000
Intangible assets	127,473	102,000
Equipment	62,745	58,000
Financing costs	3,118	4,000
Charitable donations	2,171	1,000
	757,353	678,000
Deferred tax asset not recognized	(757,353)	(678,000)
Net deferred tax asset (liability)	$ -	$ -

The Company has operating loss carry forward of approximately $2,159,000 (2014: $1,971,000) at December 31, 2015 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expire years	$
2025	516,000
2026	453,000
2027	124,000
2028	41,000
2030	14,000
2032	244,000
2033	80,000
2034	600,000
2035	87,000
	2,159,000

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not probable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

15. SUBSEQUENT EVENTS

None.