Court File No. CV-18-599644-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

IN THE MATTER OF SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED, AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O 1990 C. C.43, AS AMENDED

BETWEEN:

FIREPOWER DEBT GP INC., AS AGENT

Applicant

- and -

THEREDPIN, INC. and THEREDPIN.COM REALTY INC.

Respondents

SUPPLEMENTARY REPORT TO THE SECOND REPORT TO THE COURT SUBMITTED BY MNP LTD., IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF THEREDPIN, INC. AND THEREDPIN.COM REALTY INC.

September 28, 2018

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September 28, 2018

I INTRODUCTION AND PURPOSE OF THIS REPORT

1. On June 14, 2018 ("**Date of Appointment**"), MNP Ltd. was appointed as receiver (the "**Receiver**") without security, of all assets, undertakings and properties of TheRedPin, Inc. ("**TRP Inc.**") and Theredpin.Com Realty Inc. ("**TRP Realty**" and together with the TRP Inc., collectively hereinafter referred to as the "**Debtors**") acquired for or used in relation of a business carried on by the Debtors, including all proceeds thereof (the "**Property**") pursuant to an Order, dated June 14, 2018 (the "**Appointment Order**") issued by the Ontario Superior Court of Justice (Commercial List) (the "**Court**").

2. On September 10, 2018, the Receiver filed its second report to the Court (the "**Second Report**"), wherein it to provided the Court with information in support of the Advice and Direction Motion concerning whether any or all of the Third-party Commissions collected and to be collected by the Receiver are held and to be held in trust for benefit of the TRP Salespersons, the Outside Brokerages, the Assignees and/or the Cashback Buyers.

3. This supplementary report (the "**Supplementary Report**") is to be read in conjunction with the Second Report. All defined terms are as defined in the Second Report

4. The purpose of the Supplementary Report is to consider the responding materials filed by the TRP Salespersons, as well as additional information being received and/or identified by the Receiver after the filing of the Second Report. The Receiver intends on filing a further supplemental report outlining its proposed standard cost allocation methodology and rate structure to be approved by the Court.

II TERMS OF REFERENCE

5. In preparing the Supplementary Report, the Receiver has relied on information regarding the Debtors and the Property:

   (a) included in the motion records and other materials filed with the Court by the Applicant in connection with these proceedings. In particular, information included in:

      (i) the affidavit of Jared Kalish sworn June 13, 2018, which was Tab 2 to the Application Record, dated June 13, 2018, filed with this Court in support of the application for the Appointment Order;

(ii) the affidavits of Tarik Gidamy and Dennise Paccione, which are included as Tab 1 and Tab 2 of the Responding Motion Record, dated September 19, 2018, of Dennise Paccione and Michael Sotoadeh, respectively, representatives of the TRP Salespersons; and

(iii) information provided by the Debtors' directors and management, the Applicants and their respective legal counsel; and

(b) as otherwise made available or provided to the Receiver and its counsel.

6. Except as described in the Supplementary Report, the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards of the Chartered Professional Accountants of Canada Handbook.

7. All currency references contained herein are in Canadian Dollars, unless otherwise specified. All capitalized terms not otherwise defined herein shall have the meanings as defined in the Second Report and the Appointment Order, unless otherwise specified.

III BANK ACCOUNTS – THE COMMISSION ACCOUNT

8. As noted in the Second Report, on the Date of Appointment, TRP Realty operated a commission account at RBC, which account was opened early in 2018. Previously, TRP Realty maintained its commission account at Comerica Bank and TD Bank. The Receiver sought confirmation from each of these banks as to whether TRP Realty designated the commission account as a trust account and at the date of the Second Report was waiting on receipt of information from RBC and Comerica Bank.

9. On September 13, 2018, RBC advised the Receiver that it could not find any other documentation related to the account set up apart from an Appointment of Agent/Third Party Service Provider

form. The RBC advised it was still attempting to locate documentation that may assist the Receiver in clarifying this issue.

10. Comerica has to date not responded to the Receiver's request for information.

11. As noted in the Second Report, the Receiver had also reached out to the Broker of Record on the circumstance surrounding the accounts set-up for commissions and other issues but at the date of the Second Report had not had a response. The Receiver has since followed up with the Broker of Record and has yet to receive a response.

IV COMMISSION PROTECTION INSURANCE

12. Section 11(1) of the O. Reg. 579/05 requires that "All registrants shall be insured under a group insurance policy that is arranged and administered by the board of the administrative authority and provides for the following (*inter alia*): Commission protection insurance that provides coverage of at least $100,000 in respect of any particular claim under the insurance and at least $1 million for all claims under the insurance in respect of the same occurrence." For the purposes of O. Reg. 579/05, commission protection insurance "means insurance to pay claims made by a registrant for commission or remuneration in relation to a trade in real estate, if the claims arise out of money or other property entrusted to or received by another registrant in the course of trading real estate."

13. RECO confirmed to the Receiver that while all registrants are required to maintain a group insurance program that includes commission protection coverage, it "does not require registrants to maintain a commission trust account, however, some of the local real estate boards do require registrants to maintain such accounts. Coverage is not dependent upon the existence of a commission trust account, the insurer encourages the use of such accounts because it makes claim management more efficient."

14. The Receiver confirmed with a representative of the Toronto Real Estate Board that it does not have rules requiring brokerages to maintain commission trust accounts.

V FINANCIAL STATEMENT DISCLOSURE

15. KPMG LLP ("**KPMG**") audited the Debtors' consolidated financial statements (the "**Audited Statement**"), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of income and comprehensive income, changes in shareholder equity (deficiency) and statement of cash flows for the year then ended. The Debtors' financial statements since December 31, 2016 have been unaudited. A copy of the Audited Statement is included as **Appendix "A"**.

16. The notes to the financial statements provide the basis on which the Debtors' financial statements are presented, including the Debtors' revenue recognition policies and the basis on which it discloses its cash and cash equivalents and restricted cash.

17. Cash and cash equivalents are defined to "include cash on hand, demand deposits that can be withdrawn without penalty, and short-term highly liquid securities, such as debt securities with an initial maturity date of not more than three months from the date of acquisition that can be readily be converted into known amounts of cash and are subject to an insignificant risk of change in value".[1] The balances on deposit in the Operating Account and Commission Accounts were included as Cash and Cash Equivalents in the Audited Statement.

18. Excluded from cash and cash equivalents "are amounts held in trust as required by various purchase and sales agreements, which are separately disclosed as restricted cash." Accordingly, only the Real Estate Trust Account is shown as being restricted on the Audited Statement.

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[1] Note 4(d) to the Audited Consolidated Statement

VI TRADE RECORD SHEET

19. As noted in the Second Report, the Trade Record includes the following language: "It is understood between all parties that this agreement shall constitute a Commission Trust Agreement as set out in the contract." At the date of the Second Report, the Receiver noted that it appeared to the Receiver that this phrase is standard to this preset report.

20. The Receiver has since confirmed with brokerWolf, the software developer, that the wording in the Trade Record "are the default lines that are part of the original set up/install of brokerWolf. It is also editable and can be changed...".

All of which is respectfully submitted this 28th day of September 2018

MNP LTD.
in its capacity as Court-appointed Receiver of
TheRedPin, Inc. and TheRedPin.com Realty Inc.
and not in its personal or corporate capacities
Per:

Matthew Lem, CIRP
Licensed Insolvency Trustee

APPENDIX “A”

Consolidated Financial Statements
(Expressed in Canadian dollars)

THEREDPIN, INC.

Year ended December 31, 2016

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Shareholders of TheRedPin, Inc.

We have audited the accompanying consolidated financial statements of TheRedPin, Inc., which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of income and comprehensive income, changes in shareholders' equity (deficiency) and cash flows for the year 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 audit. We conducted our audit 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 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 consolidated financial position of TheRedPin, Inc. as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that TheRedPin, Inc. is a start-up company and has experienced a loss for the year ended December 31, 2016 of $3,839,205. These conditions, along with other matters, as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about TheRedPin, Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 10, 2017
Toronto, Canada

THEREDPIN, INC.

Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

December 31, 2016, with comparative information for 2015

	Notes	2016	2015
Assets			
Current assets:			
Cash and cash equivalents		$ 297,479	$ 441,042
Restricted cash		1,316,916	851,700
Trade and other receivables	6	1,078,942	1,053,589
Prepaid expenses and other assets		188,479	132,133
Total current assets		2,881,816	2,478,464
Non-current assets:			
Long-term trade receivables	6	1,002,785	669,951
Furniture, fixtures and equipment	7	125,513	110,330
Total non-current assets		1,128,298	780,281
Total assets		$ 4,010,114	$ 3,258,745
Liabilities and Shareholders' Equity (Deficiency)			
Current liabilities:			
Trade and other payables		$ 2,300,074	$ 1,127,543
Loans payable	5	2,494,948	1,506,948
Deferred revenue		482,107	317,423
Total current liabilities		5,277,129	2,951,914
Shareholders' equity (deficiency):			
Share capital		11,443,187	10,372,642
Contributed surplus		2,166,349	971,535
Deficit		(14,876,551)	(11,037,346)
Total shareholders' equity (deficiency)		(1,267,015)	306,831
Going concern	2		
Commitments and contingencies	14		
Total liabilities and shareholders' equity		$ 4,010,114	$ 3,258,745

See accompanying notes to consolidated financial statements.

THEREDPIN, INC.

Consolidated Statement of Income and Comprehensive Income
(Expressed in Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015

	Notes	2016	2015
Revenue	12	$ 3,975,990	$ 4,189,426
Cost of revenue		2,445,108	2,522,564
Gross margin		1,530,882	1,666,862
Expenses:			
Sales and marketing		1,921,140	2,061,229
Research and development		1,019,376	1,005,221
General and administrative		2,026,292	1,034,554
Mortgage		1,680	7,189
Depreciation, amortization of prepaid expenses and loan interest		401,442	330,908
		5,369,930	4,439,101
Loss before income taxes		(3,839,048)	(2,772,239)
Current income taxes	9	157	–
Loss for the year and comprehensive loss		$ (3,839,205)	$ (2,772,239)

See accompanying notes to consolidated financial statements.

THEREDPIN, INC.

Consolidated Statement of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015

	Number of common shares	Number of Series A preferred shares	Number of Series B preferred shares	Other components of equity: Share capital	Other components of equity: Contributed surplus	Deficit	Total shareholders' equity (deficiency)
Balance, December 31, 2014	1,010,600	351,000	369,229	$ 7,413,566	$ 465,880	$ (8,265,107)	$ (385,661)
Issuance of Series B preferred shares (note 10)	–	–	230,769	2,877,563	–	–	2,877,563
Exercise of stock option to common shares (note 11)	10,600	–	–	81,513	(81,513)	–	–
Share-based compensation (note 11)	–	–	–	–	587,168	–	587,168
Comprehensive loss	–	–	–	–	–	(2,772,239)	(2,772,239)
Balance, December 31, 2015	1,021,200	351,000	599,998	10,372,642	971,535	(11,037,346)	306,831
Issuance of Series B preferred shares (note 10)	–	–	76,923	974,553	–	–	974,553
Exercise of stock option to common shares (note 11)	7,384	–	–	95,992	(95,985)	–	7
Share-based compensation (note 11)	–	–	–	–	1,290,799	–	1,290,799
Comprehensive loss	–	–	–	–	–	(3,839,205)	(3,839,205)
Balance, December 31, 2016	1,028,584	351,000	676,921	$ 11,443,187	$ 2,166,349	$ (14,876,551)	$ (1,267,015)

See accompanying notes to consolidated financial statements.

THEREDPIN, INC.

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2016, with comparative information for 2015

	Notes	2016	2015
Cash provided by (used in):			
Operating activities:			
Loss for the year		$ (3,839,205)	$ (2,772,239)
Adjustments for:			
Depreciation		65,865	72,523
Share-based compensation	11	1,290,799	587,168
		(2,482,541)	(2,112,548)
Change in non-cash operating working capital:			
Restricted cash		(465,216)	(666,100)
Trade and other receivables		(358,187)	(976,499)
Prepaid expenses and other assets		(56,347)	(30,804)
Trade and other payables		1,172,532	158,269
Deferred revenue		164,684	120,722
Cash used in operating activities		(2,025,075)	(3,506,960)
Investing activities:			
Additions to furniture, fixtures and equipment	7	(81,048)	(17,897)
Financing activities:			
Loan payable		988,000	767,377
Proceeds on exercise of stock option	11	7	–
Net proceeds on issuance of preferred shares	10	974,553	2,877,563
Cash from financing activities		1,962,560	3,644,940
Increase (decrease) in cash and cash equivalents		(143,563)	120,083
Cash and cash equivalents, beginning of year		441,042	320,959
Cash and cash equivalents, end of year		$ 297,479	$ 441,042

See accompanying notes to consolidated financial statements.

1. Reporting entity:

TheRedPin, Inc. and its wholly owned subsidiary, TheRedPin.com Realty Inc. (collectively the "Company") is an online real estate brokerage. The Company is a hybrid of a high tech company with a savvy real estate brokerage. The Company offers an end-to-end home buying service starting from search to buying a home.

TheRedPin, Inc. was incorporated on February 8, 2010 under the laws of the Province of Ontario, as amended from time to time, most recently on March 21, 2012. The registered office of the Company is located at 5 Church Street, Toronto, Ontario, M5E 1M2.

2. Going concern:

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is a start-up company and is subject to risks common to early stage, technology based companies including limited operating history, dependence on key personnel and the potential need to raise additional capital to support the Company's development and operations to meet the Company's liabilities and commitments as they become due. Specifically, during the year, the Company experienced a loss of $3,839,205 and the Company has not generated sufficient revenue to date to provide net cash inflows sufficient to fund operations. During 2016, the Company issued $1,000,000 of additional Series B-2 preferred shares. The Company also entered into a loan agreement with Quantius SPV 1 Inc. and drew down $1,000,000 of the approved facility. Failure to generate sufficient cash inflows through future revenue growth, financing, or a combination of these actions, is uncertain. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

2. Going concern (continued):

Subsequent to year end, additional debt financing of $3,500,000 was obtained from Firepower Debt GP Inc. and used to discharge the Quantius SPV 1 Inc. outstanding $1,000,000 loan and for general operating purposes. On April 1, 2017 there was a breach of the Firepower debt covenant terms. The Company raised an additional $2,000,000 by issuing 1,000,000 Class EE preferred shares as part of the terms to satisfy the covenant breach. However, management remains in process of finalizing the amended Firepower debt agreement terms as a result of this covenant breach, and until it is closed, Firepower could exercise certain acceleration clauses under the debt agreement including its ability to demand full payment of the loan. It is management's view that if the amendments Firepower debt agreement terms are finalized, these events will enable the Company to continue as going concern.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities and the reported amounts of revenue and expenses and such adjustment could be material.

3. Basis of preparation:

(a) Statement of compliance:

The Company's consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on July 10, 2017.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

3. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of

accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates, are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Items	Notes
Revenue recognition	4(b)
Valuation of share-based compensation	11

4. Significant accounting policies:

The significant accounting policies adopted in preparing these consolidated financial statements are set out below and have been applied consistently by the Company:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries.

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists, when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(b) Revenue recognition:

The Company derives the majority of its revenue from commissions earned as agents in residential real estate transactions in the following two manners:

(i) Resale:

Consists primarily of the sale or lease of single family and condominium units whereby the Company earns a commission based on a percentage of the selling price of the property. The commission is received in one-lump sum payment upon closing of the transaction, net of any rebate or commission discount or transaction fee adjustment. Commission revenue on resale or rental units is recognized at the time of closing of the purchase and sale or rental agreement.

4. Significant accounting policies (continued):

(ii) New development:

Consists primarily of the sale of condominium units whereby the Company earns a commission based on a percentage of the selling price of the property. The commission is generally received in two to four instalments, starting with the signing of the purchase and sale agreement. The remaining instalments are received over the development period of the condominium with the last commission, being received once the condominium is registered. The Company recognizes the commission revenue when the relevant purchase contract between property developers and property buyers become unconditional or irrevocable and the services as stipulated in the agency contracts have been rendered by the Company. Furthermore, the purchaser must have put down a minimum of 10% of the purchase price. Revenue is recognized net of any rebate or commission discount or transaction fee adjustment.

The Company may also be entitled to earn additional revenue on the agency services if certain sales and other performance targets are achieved, such as total volume over a pre-determined period. This additional agency service revenue is recognized when the Company has accomplished the required targets.

In general, the Company recognizes revenue when persuasive evidence exists, usually in the form of an executed agreement, that it is probable the economic benefits of the transaction will flow to the Company and revenue and costs can be measured reliably. If collection is not considered probable, revenue is recognized only once fees are collected. In addition, if non-standard performance criteria are required, revenue is generally recognized upon satisfaction performance criteria. Billings or payments received from customers in advance of revenue recognition are recorded in deferred revenue on the consolidated statement of financial position. These transactions typically do not have multiple deliverables.

(c) Cost of revenue:

Cost of revenue consists of agent salaries, bonuses, commissions, direct selling costs, direct advertising costs and referral fees. Agent commissions are generally paid at time of closing on resale units and at time the Company receives the first instalment on new units.

4. Significant accounting policies (continued):

(d) Cash and cash equivalents and restricted cash:

Cash and cash equivalents include cash on hand, demand deposits that can be withdrawn without penalty, and short-term highly liquid securities, such as debt securities with an initial maturity date of not more than three months from the date of acquisition that can readily be converted into known amounts of cash and are subject to an insignificant risk of change in value. Excluded from cash and cash equivalents are amounts held in trust as required by various purchase and sales agreements, which are separately disclosed as restricted cash.

(e) Trade and other receivables:

Trade receivables reflect invoiced and accrued revenue and are presented net of an allowance for doubtful receivables.

The Company evaluates the collectability of its trade receivables based on a combination of factors on a periodic basis. The Company considers historical experience, the age of the trade receivable balances, credit quality of the counterparty, current economic conditions, and other factors that may affect the counterparties ability to pay.

Amounts not expected to be received for a period greater than one year from the reporting date are classified as long-term trade receivables in the consolidated statement of financial position.

(f) Furniture, fixtures and equipment:

(i) Recognition and measurement:

Items of furniture, fixtures and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to a working condition for its intended use.

When parts of an item of furniture, fixtures and equipment have different useful lives, they are accounted for as separate items (major components) of furniture, fixtures and equipment.

4. Significant accounting policies (continued):

(ii) Depreciation:

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of furniture, fixtures and equipment.

The estimated useful lives of major categories of furniture, fixtures and equipment are as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Research and development:

Internal expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognized in profit or loss when incurred. Tax credits which provide for research and development costs are presented as a reduction of the expenses. Tax credits are recorded when the qualifying expenditures have been incurred and there is reasonable assurance that the tax credits will be realized. Tax credits are subject to audit by the relevant taxation authority.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Internal development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Expenditure on internally developed software is capitalized as intangible assets from the time when incurred costs meet all of the above criteria and ceases once the intangible asset is available for its intended use. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized in profit or loss as incurred.

4. Significant accounting policies (continued):

(h) Share-based compensation:

Stock options issued by the Company are settled in common shares and are accounted for as equity-settled stock options. These stock options vest in tranches over a two- to four-year period. The fair value of each tranche of options granted to certain employees is measured separately at the grant date using a Black-Scholes option pricing model and is recognized as an expense over the vesting period of each tranche, with a corresponding increase in contributed surplus. The vesting period, the amount recognized as an expense is adjusted to reflect revised expectations about the number of options expected to vest, such that the amount ultimately recognized as an expense is based on the number of options that meet the vesting conditions. Upon exercise of vested options, the amount recognized in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital.

(i) Income taxes:

Income taxes on profit or loss include current and deferred taxes. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. Tax is the expected tax payable on taxable income using tax rates enacted or substantively enacted at year end and any adjustment to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized based on the consolidated statement of financial position method, providing for temporary differences between the financial accounting and tax bases of assets and liabilities, measured using the tax rates that are expected to be applied to temporary differences when they reverse and 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 current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities to the extent the Company intends to settle the current tax assets and liabilities on a net basis or if the tax assets and liabilities will be realized simultaneously. Deferred tax amounts are not discounted.

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

4. Significant accounting policies (continued):

(j) Government grants:

Government grants are recognized, when there is reasonable assurance that the Company will comply with the conditions attached to it and that the grant will be received, which is generally when the expenditures are incurred and the contract is signed. Government grants related to income are presented as a credit to the expense to which they relate.

(k) Common and preferred shares:

Common and preferred shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common and/or preferred shares and exercise of share options are recognized as a deduction from shareholders' equity net of any tax effects.

(l) Financial instruments:

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company initially recognizes liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

4. Significant accounting policies (continued):

(m) New standards and interpretations not yet adopted:

A number of new standards and interpretations are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements. The Company continues to analyze these standards but has initially determined that none are expected to have a significant effect on the consolidated financial statements.

(i) IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 replaces the guidance in International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and a new general hedge accounting requirement.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of adoption of the amendment has not yet been determined.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaces existing guidance, including IAS 18, Revenue, IAS 11, Construction Contracts, and IFRIC 13, Customer Loyalty Programmes. IFRS 15 is effective for periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

4. Significant accounting policies (continued):

(iii) Annual improvements to IFRS:

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. The amendments clarify requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, IFRS 7, Financial Instruments - Disclosures, IAS 19, Employee Benefits, and IAS 34, Interim Financial Reporting. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

(iv) IAS 1, Presentation of Financial Statements:

In December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendment becomes effective for annual periods beginning on or after January 1, 2016. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

(v) IAS 7, Statement of Cash Flows:

In February 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments become effective for annual periods beginning on or after January 1, 2017. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

4. Significant accounting policies (continued):

(vi) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is 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. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

5. Loans payable:

(a) Comerica:

On April 1, 2014, the Company entered into a revolving credit facility with Comerica Bank, Canada Branch whereby it has financed its scientific research and experimental development ("SR&ED") tax credits and its trade accounts receivable that meet the defined eligibility criteria up to $1,500,000. The credit facility is secured by a movable hypothec on the universality of the Company's accounts receivable including all present and future claims on SR&ED income tax credits. The credit facility is also secured by a hypothec on the universality of the Company's movable property, real and personal, present and future. The Company had drawn $1,494,948 under the credit agreement and is paying interest equal to 2.50% above the prime rate totalling to 5.2% (2015 - 5.2%) resulting in interest expense of $78,050 (2015 - $52,183). There are no specific renewal dates as per the credit facility agreement.

(Expressed in Canadian dollars)

5. Loans payable (continued):

In 2014, the Company violated its six-month trailing EBITDA loan covenant which upon the occurrence of the default accelerated the Comerica Bank's ability to demand repayment of all amounts owing. The Company and Comerica Bank agreed to make certain amendments to the loan agreement including modifying the new six-month trailing EBITDA covenant terms, extending the maturity date to January 31, 2016, expanding the eligibility requirements of its trade and other receivables and increasing the credit facility limit to $1,507,000. As at year end, the Company is not in violation of its covenants. During fiscal year 2016, the Company and Comerica Bank agreed to make certain amendments to the loan agreement including extending the maturity date to December 31, 2016 and setting up a new six month trailing EBITDA covenant terms. Maturity date on this facility was further extended to Dec 31, 2017 subsequent to year end (note 17).

Comerica Bank has the option to purchase 6,000 preferred shares at an exercise price of $78,000. The warrants expire between April 1, 2021 and May 8, 2022, or up to April 1, 2024 or May 8, 2025 depending if there is a qualified Initial Public Offering.

(b) Quantius:

On May 26, 2016, the Company entered into a term loan with Quantius SPV1 Inc. The initial advance of $1,000,000 bearing interest of 15% was funded on May 26, 2016 and matures on May 26, 2019. Interest expense of 75,000 was incurred for 2016 and this advance was repaid subsequent to year end (note 17).

6. Trade and other receivables:

	2016	2015
Unbilled receivable	$ 2,068,186	$ 1,636,881
Billed receivable	13,541	34,703
	2,081,727	1,671,584
Less amounts not expected to be billed within 1 year	1,002,785	669,951
Current portion of unbilled receivable	1,078,942	1,001,633
Other	–	51,956
Total trade and other receivables	$ 1,078,942	$ 1,053,589

(Expressed in Canadian dollars)

6. Trade and other receivables (continued):

The trade accounts receivable balance is net of allowance for doubtful accounts of nil in 2016 (2015 - nil).

7. Furniture, fixtures and equipment:

A detailed breakdown of furniture, fixtures and equipment, as well as accumulated depreciation is provided as follows:

				2016	2015
	Furniture and fixtures	*Computer equipment*	*Leasehold improvements*	Total	Total
Cost:					
Balance, beginning of year	$ 90,702	$ 132,160	$ 97,085	$ 319,947	$ 302,050
Additions	43,825	36,382	841	81,048	17,897
Balance, end of year	$ 134,527	$ 168,542	$ 97,926	$ 400,995	$ 319,947
Accumulated depreciation:					
Balance, beginning of year	$ 38,218	$ 108,713	$ 62,686	$ 209,617	$ 137,094
Depreciation	20,531	24,480	20,854	65,865	72,523
Balance, end of year	$ 58,749	$ 133,193	$ 83,540	$ 275,482	$ 209,617
Net book value, end of year	$ 75,778	$ 35,349	$ 14,386	$ 125,513	$ 110,330

(Expressed in Canadian dollars)

8. Operating expenses by nature:

These expenses by nature, are allocated to functional categories for financial reporting purposes based on a systematic and rational approach applied consistently each period. Expenditures directly related to a functional category are allocated on a direct basis. Personnel costs are allocated to functional categories based on the individuals' estimated time spent supporting respective functional areas. Other expenditures directly attributable to a cost driver, such as headcount percentages are allocated to functional categories accordingly.

The following table shows selected components of income and expenses, on a "by nature" basis, allocated to the consolidated statement of income and comprehensive income:

	Cost of revenue	Sales and marketing	General and administrative	Research and development	TRP mortgage	2016 Total	2015 Total
Personnel costs	$ 1,693,400	$ 646,811	$ 361,057	$ 851,681	$ –	3,552,949	$ 3,460,173
Direct marketing	751,708	–	–	–	–	751,708	905,584
Share-based compensation	–	854,988	393,569	42,242	–	1,290,799	587,168
Other	–	419,341	1,271,666	125,453	1,680	1,818,140	1,677,832
Total	$ 2,445,108	$ 1,921,140	$ 2,026,292	$ 1,019,376	$ 1,680	$ 7,413,596	$ 6,630,757

In 2016, the Company received nil (2015 - $35,200) in SR&ED claims related to expenditures in 2015. The SR&ED credit received is presented as an offset to research and development costs.

(Expressed in Canadian dollars)

9. Income taxes:

(a) Current income taxes:

	2016	2015
Current year	$ 157	$ –

(b) Income tax rate reconciliation:

	2016	2015
Loss before income taxes	$ (3,839,048)	$ (2,772,239)
Tax recovery using federal and provincial tax rate of 15%% (2015 - 15.5%)	$ (575,857)	$ (429,697)
Increase (decrease) resulting from:		
Non-deductible expenses	196,837	94,501
True-up of unrecognized tax assets	(4,524)	2,774
Recognition of previously unrecognized losses and temporary differences	49,839	(23)
Current year losses and other differences not recognized	342,803	348,562
Other	(8,941)	(16,117)
Income taxes	$ 157	$ –

(c) Deferred tax assets and liabilities:

Deferred tax assets have not been recognized in respect of the following temporary differences:

	2016	2015
Furniture, fixtures and equipment	$ 51,494	$ 46,260
Tax losses and SR&ED	12,333,957	9,812,566
Financing costs	199,677	108,957
	$ 12,585,128	$ 9,967,783

9. Income taxes (continued):

The non-capital tax losses expire between 2030 and 2036. Other deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against, which the Company can utilize the benefits.

10. Share capital:

(a) During the year ended December 31, 2016, the Company completed one private placements by issuing 76,923 Series B-2 preferred shares for gross proceeds of $1,000,000 and net proceeds of $974,553. In connection with this private placement, 11,834 Series B-2 preferred share warrants were also issued entitling the holder to purchase an additional 11,834 Series B-2 preferred shares exercisable at $13 per Series B preferred share, which expire April 2026. As at December 31, 2016, no amounts have been exercised.

(b) During the year ended December 31, 2015, the Company completed two private placements by issuing 76,923 Series B-1 preferred shares and 153,846 Series B-2 preferred shares for gross proceeds of approximately $2,999,997 and net proceeds of $2,877,563. In connection with these private placements, 11,834 Series B-1 and 23,669 Series B-2 preferred share warrants were also issued entitling the holder to purchase an additional 11,834 Series B-1 and 23,669 Series B-2 preferred shares exercisable at $13 per Series B preferred share, which expire between April and June 2025. Additionally, another 1,385 Series B preferred share warrants were also issued entitling the holder to purchase an additional 1,385 Series B preferred shares exercisable at $13 per Series B preferred share, which expire on May 2022. As at December 31, 2016, no amounts have been exercised.

(c) During the year ended December 31, 2014, the Company completed a private placement by issuing 153,846 Series B preferred shares for gross proceeds of approximately $1,999,998 and net proceeds of $1,948,074. In connection with these private placements, 85,832 Series B preferred share warrants were also issued entitling the holder to purchase an additional 85,832 Series B preferred shares exercisable at $13 per Series B preferred share, which expire on June 2024. Additionally, another 4,615 Series B preferred share warrants were also issued entitling the holder to purchase an additional 4,615 Series B preferred shares exercisable at $13 per Series B preferred share, which expire on April 2021. As at December 31, 2016, no amounts have been exercised.

(Expressed in Canadian dollars)

10. Share capital (continued):

(d) During the year ended December 31, 2013, the Company completed a private placement by issuing 215,383 Series B preferred shares for gross proceeds of $2,799,979 and net proceeds of $2,735,025. In connection with these private placements, 33,137 Series B preferred share warrants were also issued entitling the holder to purchase an additional 33,137 Series B preferred shares exercisable at $13.00 per Series B preferred share, which expire between June and December 2023. As at December 31, 2016, no amounts have been exercised.

(e) During the year ended December 31, 2012, the Company completed a private placement by issuing 351,000 Series A preferred shares for gross proceeds of $2,700,000, and net of $2,628,954.

(f) A summary of the share capital is as follows:

	2016	2015
Authorized:		
Unlimited common shares, voting, without par value		
Unlimited preferred shares, voting, without par value		
Issued, outstanding and fully paid:		
1,028,584 common shares (2015 - 1,021,200)	$ 279,018	$ 183,026
351,000 Series A preferred shares (2015 - 351,000)	2,628,954	2,628,954
676,921 Series B preferred shares (2015 - 599,998; 2016 - 76,923)	8,535,215	7,560,662
	$ 11,443,187	$ 10,372,642

Each holder of common shares and Series A and Series B preferred shares are entitled to receive notice of and attend all meetings of the Company's shareholders. At each such meeting, each Series A and Series B preferred share vote together with the other issued and outstanding shares of the Company on an as converted basis on all matters submitted for vote of the holders of common shares, except as otherwise required by law. Each Series A and Series B preferred share shall have a number of votes equal to the number of shares of common shares then issuable.

10. Share capital (continued):

Each holder of common shares and Series A and Series B preferred shares also have the following rights:

(i) Right of First Refusal:

The holders will have a right of first refusal to purchase their pro rata share (which will be calculated on a basis assuming that any preferred shares have been converted to common shares) of any securities to be sold by existing shareholders, other than permitted transfers. The right of first refusal will terminate upon the closing of any qualified Initial Public Offering.

(ii) Tag-Along Rights:

The holders will have the right to tag-along, on a pro rata basis (which will be calculated on a basis assuming that the Series A and Series B preferred shares, Series B warrants and vested options have been converted to common shares), on any sale of shares of the Company by any shareholder or group of shareholders. The Tag-Along Rights will terminate upon the closing of any qualified Initial Public Offering.

(iii) Drag-Along Rights:

Generally, if holders of 50% or more of the outstanding shares of the Company (which will be calculated on a basis assuming that the Series A and Series B preferred shares have been converted to common shares), agree to a sale of the Company the holders of the remaining shares of the Company shall be required to sell their shares or otherwise consent to such transaction, as long as, it also meets certain additional restrictions over the price and date of the sale. The Drag-Along Rights will terminate upon the closing of any qualified Initial Public Offering.

10. Share capital (continued):

In addition, the Series A and Series B preferred shares have the following additional features:

(iv) Liquidation preference:

In the event of a Liquidity Event (as hereinafter defined), the holders of Series A and Series B preferred shares will be entitled to receive pro rata with the Series A and Series B preferred shares and in preference to the holders of common shares a per share amount equal to the greater of: (a) the Original Purchase Price (as adjusted for stock splits, consolidations, reclassifications, stock dividends, reorganizations, etc.), or (b) such amount as would have been payable on each Series A and Series B preferred share had all Series A and Series B preferred shares been converted to common shares. The balance of any proceeds shall be distributed pro rata to the holders of common shares. If all the assets of the Company shall be insufficient to permit the payment in full of the Series A and Series B preferred shares then the liquidation amount will be calculated based on a defined weighted average calculation between the two classes of preferred shares.

For the purposes hereof, "Liquidity Event" shall mean liquidation, dissolution or winding-up of the Company, a merger or sale of all or substantially all of the assets or shares of the Company or any transaction or series of transactions in which the shareholders of the Company do not own a majority of the outstanding shares of the surviving corporation or a sale or issuance of shares with the power to elect a majority of the Board, excluding an equity financing in which the Company is the surviving corporation.

(v) Conversion:

The Series A and Series B preferred shares will be convertible, at any time, in whole or in part, into common shares at the option of the holder. The initial conversion rate shall be 1:1 (i.e., conversion price will be equal to the original purchase price, as adjusted).

(Expressed in Canadian dollars)

11. Share-based compensation:

A stock option plan (the "Plan") has been established for employees and directors of the Company or any of its subsidiaries. The Company has reserved 422,677 options pursuant to the Plan. Employee stock options vest in tranches over a one- to four-year period and expire after 10 years. The options expire at varying dates from January 2026 to June 2028. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option agreement.

The following table reflects activity under the Plan for the year ended December 31, 2016, and the weighted average exercise prices:

	Number of common shares under option	Weighted average exercise price
Outstanding, December 31, 2015	126,222	$ 0.89
Issued	140,000	2.24
Exercised	(7,384)	0.001
Forfeited	–	–
Outstanding, December 31, 2016	258,838	$ 1.63
Options exercisable, December 31, 2016	166,878	$ 0.88

	Options outstanding		Options exercisable	
Exercise price	Number of options outstanding	Weighted average remaining contractual life (years)	Number of exercisable options	Weighted average price/ share
$ 0.001	221,461	8.86	153,574	$ 0.001
$ 7.69	5,377	7.24	4,898	7.69
$ 13.00	32,000	9.16	8,406	13.00

The fair value of the options granted during 2016 was $1,649,767 (2015 - $903,528). During the year ended December 31, 2016, compensation cost of $1,290,799 (2015 - $587,168) was recognized in the consolidated statement of income and comprehensive income (see note 8 for allocation to functional categories).

(Expressed in Canadian dollars)

11. Share-based compensation (continued):

The fair value of stock options on the grant date was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Expected life (years)	10	10
Risk-free interest rate	1%	1%
Expected volatility	50%	50%

The key assumptions used within the Black-Scholes option pricing model were based on the following:

- The expected share price volatility is observed using similar public companies in order to estimate volatility over the estimated life of the option.
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options.
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on general option holder behaviour.

12. Revenue:

The details of the Company's revenue are as follows:

	2016	2015
Commissions earned:		
Resale	$ 2,986,726	$ 2,365,864
New	865,551	1,709,545
Rental	83,749	49,486
Mortgage	39,964	64,531
Total commission revenue	$ 3,975,990	$ 4,189,426

(Expressed in Canadian dollars)

13. Related party transactions:

The Company's co-founders, include the Chief Executive Officer, the Chief Technology Officer, the Chief Marketing Officer and the Broker of Record. The compensation to key management for salaries, commissions and other short-term benefits was $1,277,650 (2015 - $930,338) of which $827,265 (2015 - $470,881) was recognized as share-based compensation.

14. Commitments and contingencies:

On June 1, 2015, the Company renewed an operating lease for its head office at 5 Church Street in Toronto for a two-year term. This lease was renewed subsequent to the year end for an additional five years on February 24, 2017 and is payable as follows:

2017	$ 202,324
2018	213,947
2019	215,545
2020	216,344
2021	216,344
2022	85,349

During 2016, the Company recognized $176,830 (2015 - $167,715) in operating lease expenses related to this property.

15. Government grants:

The Company receives financial support from the federal Government of Canada's Industrial Research Assistance Program, which is administered by the National Research Council of Canada. During the year, the Company recognized grants totalling nil (2015 - nil), which have been presented as a reduction of general and administrative salaries and wages. The project program support that the Company receives, includes a contingent repayment obligation of up to two times the approved Project program grant amount, plus variable interest, compounded monthly. This contingent liability can become repayable under two circumstances, which the Company has assessed are not of probable occurrence. As such, no repayment obligation has been accrued in the consolidated financial statements.

16. Financial instruments - fair values and risk management:

(a) Accounting classification and fair values:

The Company classifies the carrying amount of cash and cash equivalents, restricted cash and trade and other receivables and long-term trade receivables under the loans and receivables category, and it classifies the carrying amounts of trade and other payables and loan payable under the other financial liabilities category.

The carrying amounts of the Company's financial instruments approximate their fair values due to their relatively short-term maturity.

(b) Financial risk management:

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company has exposure to the following risks arising from financial instruments:

(i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables. The carrying amount of financial assets represents the maximum credit exposure and is mainly derived from transactions in Ontario, Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company recognizes the commission revenue/receivables related to properties under development when the relevant purchase contract between property developers and property buyers become unconditional or irrevocable and the services as stipulated in the agency contracts have been rendered by the Company. Furthermore, the purchaser must have put down a minimum of 10% of the purchase price.

16. Financial instruments - fair values and risk management (continued):

(ii) 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. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. The Company has managed this through its private placements (notes 10 and 17) and credit facilities with Comerica Bank (note 5), and through continuous monitoring of forecasts and actual cash flows.

(iii) 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 holding of financial instruments. The Company is not exposed to currency risk since it operates in Canada and in Canadian dollars which is the Company's functional currency. The Company is also not exposed to significant risk arising from interest rate risk as its variable rate loan payable is of a short-term nature.

17. Subsequent events:

In February 2017, TheRedpin Inc. entered into a loan agreement with FirePower Debt GP Inc. for a maximum amount of $3,500,000 for a period of three years and at a fixed interest rate of 15% per annum. The purpose of this loan is to repay outstanding obligations to Quantius SPV 1 Inc., and for general operating purposes. TheRedpin Inc. drew $3,500,000 which was funded net of the interest deposit of $260,342. This debt is junior in priority to the security interest of Comerica Bank. The Quantius SPV 1 Inc. loan of $1,000,000 was discharged in February 2017 with the funds received from the FirePower loan received in fiscal 2017.

On April 1, 2017, there was a breach of the Firepower debt covenant terms. The Company raised $2,000,000 by issuing 800,000 Class EE preferred shares to Trilogy Growth Fund and 200,000 Class EE preferred shares to Sud Group as part of the terms to satisfy the covenant breach. Additionally, 1,064,351 Class DD preferred shares were issued to FirePower Gap Debt LP and 786,695 Class DD preferred shares issued to FirePower Asset Management Inc. for nil proceeds. However, management remains in process of finalizing the amended Firepower debt agreement terms as a result of this covenant breach, and until it is closed Firepower could exercise certain acceleration clauses under the debt agreement including its ability to demand full payment of the loan.