Consolidated financial statements

Dealnet Capital Corp.

December 31, 2015 and 2014

Building a better working world

Management's report on the consolidated financial statements

The accompanying consolidated financial statements of **Dealnet Capital Corp.** have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. Management maintains a system of internal controls adequate to provide reasonable assurance that transactions are authorized, assets are safeguarded and records are adequately maintained.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised of three independent directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. Ernst & Young LLP have audited these consolidated financial statements and their report follows.

"Michael Hilmer"
Michael Hilmer
Director and Chief Executive Officer

"Paul Leonard"
Paul Leonard
Chief Financial Officer

Independent auditors' report

To the Shareholders of
Dealnet Capital Corp.

We have audited the accompanying consolidated financial statements of **Dealnet Capital Corp.**, which comprise the consolidated statements of financial position as at December 31, 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows and for the year 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 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 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit 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 **Dealnet Capital Corp.** as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Dealnet Capital Corp. for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on May 22, 2015.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 28, 2016

Dealnet Capital Corp.

Consolidated statements of financial position

[Expressed in thousands of dollars]

As at December 31

	2015	2014
	$	$
Assets		
Cash and cash equivalents *[note 5]*	**10,812**	616
Trade receivables *[note 6]*	**3,866**	2,097
Finance receivables *[note 7]*	**1,904**	—
Other assets *[note 8]*	**3,452**	458
Property and equipment *[note 9]*	**979**	629
Intangible assets *[note 11]*	**1,530**	608
Goodwill *[note 12]*	**2,060**	1,863
	24,603	6,271
Liabilities		
Accounts payable and accrued liabilities *[note 13]*	**3,619**	3,844
Other liabilities *[note 14]*	**1,867**	995
Debentures, notes payable and loans *[note 15]*	**3,804**	3,153
Deferred revenue	**425**	357
	9,715	8,349
Shareholders' equity (deficiency)		
Share capital *[note 19]*	**12,682**	51,406
Shares to be issued *[note 15]*	**—**	14
Contributed surplus	**5,298**	3,370
Other comprehensive income (loss)	**58**	(15)
Deficit	**(3,150)**	(56,853)
	14,888	(2,078)
	24,603	6,271

The accompanying notes form part of the consolidated financial statements

On behalf of the Board:

"Dr. Steven Small"
Dr. Steven Small
Director

"Harold Bridge"
Harold Bridge
Director

Dealnet Capital Corp.

Consolidated statements of loss and comprehensive loss

[Expressed in thousands of dollars, unless otherwise stated]

Year ended December 31

	2015	2014
	$	$
Engagement		
Revenue *[note 21]*	**15,662**	9,877
Cost of sales	**9,236**	5,346
	6,426	4,531
Consumer finance		
Finance income	**248**	13
Finance expense	**392**	34
	(144)	(21)
Gross profit	**6,282**	4,510
Operating expenses		
Salaries, wages and benefits	**7,254**	2,786
General and administrative	**4,511**	2,875
Depreciation and amortization	**717**	347
Share-based compensation *[note 20]*	**1,154**	196
	13,636	6,204
Loss before undernoted items	**(7,354)**	(1,694)
Finance costs, net *[note 22]*	**(503)**	(2,013)
Business acquisition transaction costs *[note 23]*	**(450)**	(32)
Change in fair value of contingent consideration and revenue guarantee *[note 10]*	**1,650**	—
Impairment of intangible assets and goodwill *[note 12]*	**—**	(836)
Loss before income taxes	**(6,657)**	(4,575)
Recovery of deferred income taxes *[note 18]*	**160**	—
Net loss for the year	**(6,497)**	(4,575)
Item that may be reclassified subsequently to the loss for the year		
Foreign currency translation	**73**	8
Other comprehensive income	**73**	8
Total comprehensive loss for the year	**(6,424)**	(4,567)
Loss per common share, basic and diluted *[note 28]*	**(0.06)**	(0.07)
Weighted average number of shares outstanding [000s]	**112,578**	61,501

The accompanying notes form part of the consolidated financial statements

Dealnet Capital Corp.

Consolidated statements of changes in shareholders' equity (deficiency)

[Expressed in thousands of dollars, unless otherwise stated]

	Common shares						
	Number	**Value**	**Contributed surplus**	**Shares to be issued**	**Other comprehensive income (loss)**	**Deficit**	**Total**
	[000s]	$	$		$	$	$
Balance as at December 31, 2013	58,276	48,041	2,421	45	(23)	(52,278)	(1,794)
Conversion of debentures	10,200	2,130	(90)	—	—	—	2,040
Incentive on conversion of debentures	587	117	—	—	—	—	117
Shares issued for acquisition	5,500	1,073	—	—	—	—	1,073
Shares issued to settle debts	300	45	—	(31)	—	—	14
Embedded value of warrants	—	—	843	—	—	—	843
Share-based compensation	—	—	196	—	—	—	196
Foreign currency translation	—	—	—	—	8	—	8
Net loss for the year	—	—	—	—	—	(4,575)	(4,575)
Balance as at December 31, 2014	74,863	51,406	3,370	14	(15)	(56,853)	(2,078)
Issuance of convertible debentures	**—**	**—**	**50**	**—**	**—**	**—**	**50**
Conversion of convertible debentures	**4,356**	**832**	**32**	**—**	**—**	**—**	**864**
Convertible debentures issue costs	**—**	**—**	**74**	**—**	**—**	**—**	**74**
Share issuance – private placement	**61,557**	**11,708**	**7,231**	**(14)**	**—**	**—**	**18,925**
Share issue costs	**—**	**(2,141)**	**969**	**—**	**—**	**—**	**(1,172)**
Share-based compensation	**—**	**—**	**1,154**	**—**	**—**	**—**	**1,154**
Stock options exercised	**2,221**	**1,182**	**(571)**	**—**	**—**	**—**	**611**
Warrants exercised	**9,241**	**3,695**	**(811)**	**—**	**—**	**—**	**2,884**
Foreign currency translation	**—**	**—**	**—**	**—**	**73**	**—**	**73**
Net loss for the year	**—**	**—**	**—**	**—**	**—**	**(6,497)**	**(6,497)**
Reduction in stated capital	**—**	**(54,000)**	**(6,200)**	**—**	**—**	**60,200**	**—**
Balance as at December 31, 2015	**152,238**	**12,682**	**5,298**	**—**	**58**	**(3,150)**	**14,888**

Dealnet Capital Corp.

Consolidated statements of cash flows

[Expressed in thousands of dollars]

Year ended December 31

	2015	2014
	$	$
Operating activities		
Net loss for the year	**(6,497)**	(4,575)
Add (deduct) items not involving cash		
Depreciation and amortization	**717**	404
Impairment of intangibles assets and goodwill	**—**	836
Share-based compensation	**1,154**	196
Accretion of interest and transaction costs	**254**	245
Incentive for conversion of convertible debentures	**75**	804
Expenses settled by issuance of shares	**621**	—
Change in fair value of contingent consideration and revenue guarantee	**(1,650)**	—
Gain on settlement of debt	**(163)**	—
Other	**(10)**	(6)
	(5,499)	(2,096)
Net change in non-cash working capital balances related to operations *[note 29]*	**(1,936)**	1,077
Cash used in operating activities	**(7,435)**	(1,019)
Investing activities		
Additions to property and equipment	**(227)**	(247)
Additions to intangible assets	**(172)**	(56)
Acquisition of businesses	**(2,600)**	(500)
Cash used in investing activities	**(2,999)**	(803)
Financing activities		
Bank indebtedness	**—**	(104)
Factoring advances	**(813)**	342
Finance lease obligations	**(96)**	(54)
Proceeds from notes payable	**200**	215
Repayment of notes payable	**(204)**	(90)
Secured revolving loan advances	**(250)**	250
Proceeds from issuance of debentures	**4,145**	1,797
Repayment of debentures	**(1,047)**	—
Proceeds from issuance of common shares, net of issuance costs	**14,552**	—
Proceeds from warrants exercised	**3,474**	—
Proceeds from options exercised	**611**	—
Cash provided by financing activities	**20,572**	2,356
Effect of foreign exchange on cash and cash equivalents	**58**	9
Net increase in cash and cash equivalents during the year	**10,196**	543
Cash and cash equivalents, beginning of year	**616**	73
Cash and cash equivalents, end of year	**10,812**	616
Supplementary cash flow information		
Interest paid	**875**	332
Income taxes paid	**14**	—

The accompanying notes form part of the consolidated financial statements

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2015

1. Corporate information

Dealnet Capital Corp. [collectively, the “Company” or “Dealnet”] was incorporated on September 8, 1986 under the laws of the Province of British Columbia. Currently, the Company operates under the laws of the Province of Ontario. Effective July 28, 2015, the Company commenced trading on the TSX Venture Exchange. The address of the Company’s registered office is 325 Milner Avenue, Suite 300, Toronto, Ontario, M1B 5N1, Canada.

Dealnet operates in two markets, Engagement and Consumer Finance.

The Engagement business offers business process outsourcing [“BPO”] and mobile marketing solutions. BPO solutions includes providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services. Mobile marketing solutions allow clients to engage and interact directly with mobile subscribers. Both businesses conduct operations throughout Canada and the United States. During the year, Dealnet completed an acquisition to extend the Company’s BPO offering. On September 30, 2015, the Company acquired all of the limited partnership units of Gemma Communications LP, along with the shares of Gemma GP Corp. and AFS Holdings Inc. [collectively, “Gemma”]. Gemma is a consumer engagement company with call centre locations in Toronto, Ontario and Montreal, Quebec, providing bilingual inbound and outbound BPO solutions.

The Consumer Finance business concentrates on the origination and servicing of consumer loans and leases within the Canadian home improvement sector. On February 18, 2016, the Company acquired EcoHome Financial Inc. [“EcoHome”], a Canadian non-bank lender in the consumer heating, ventilation and air conditioning [“HVAC”] and home improvement markets. This acquisition is consistent with the Company’s strategic objective of expansion in the consumer finance market space.

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board [“IASB”]. The term IFRS also includes all International Accounting Standards [“IAS”] and all interpretations of the International Financial Reporting Interpretations Committee [“IFRIC”].

These consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2016.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries after the elimination of intercompany balances and transactions. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Measurement basis

These consolidated financial statements were prepared on a going concern basis under the historical cost method, except for certain financial assets and liabilities that are measured at fair value. Management assesses the Company’s ability to continue as a going concern at each reporting date, using quantitative and qualitative information available.

Functional and presentation currency

The presentation currency is the Canadian dollar. The consolidated financial statements are prepared in thousands of Canadian dollars, except per share amounts, and as otherwise noted. The functional currency of the Company is the Canadian dollar, except for its U.S. subsidiaries, which are in U.S. dollars.

3. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company’s cash management.

Engagement revenue recognition

Engagement revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is recognized in the period when persuasive evidence of an arrangement exists, prices are fixed or determinable, collectability is reasonably assured and services have been rendered.

[a] BPO services: The Company earns revenues from BPO services including providing outsourced services, such as call centres, loyalty program administration, utility customer care, telecom and technical support services, to a broad-based clientele in both Canada and the United States, mainly from agent-related services. Revenue is typically recognized in the period in which calls are received and services are performed based on staffing hours or the number of contacts/calls handled by service agents using contractual rates. The remaining revenues are derived from the provision of professional services often related to the set up and establishment of the contracted services, including training, IT and other project management. Revenues from the provision of such services are typically recognized in each period on a straight-line basis over the life of contracts. Deferred revenues result from this method when payments are made in advance of the recognition of revenue.

[b] Mobile services: The Company uses its connectivity to mobile carriers to earn revenue from mobile messaging over short codes. Mobile content, in the form of SMS and MMS messages, is transmitted by the Company, for its customers, to and from the mobile carriers. Revenue from messaging is recorded when the message was sent. The Company also charges a fixed monthly hosting fee for short code connectivity and for other services, some of which have been custom-developed for individual clients and is recorded pro-rata on time. Hosting fees are recognized in the month for which the service was provided, pro-rata based on time. Additionally, the Company earns revenue by running mobile marketing programs for its customers using

its proprietary software application. Many marketing programs are less than a month in duration and the associated revenue is recognized in the month in which the Company delivers the associated messages. Revenues are generated from licensing of the Company's proprietary software and associated support services, and from services supported over an extended period; this revenue is recognized on a monthly basis pro-rata on time over the period for which the service or license has been contracted.

Billings or payments received from customers in advance of services provided are recorded in deferred revenue as a liability on the consolidated statements of financial position.

Trade receivables

Trade receivables are comprised primarily of amounts owed to the Company by clients and are presented net of an allowance for doubtful accounts. Contracts with individual clients determine when receivables are due, generally within 30-90 days, and whether interest is accrued on late payments. The Company reviews its trade receivables at each reporting date to assess the adequacy of the allowance for doubtful accounts and to determine whether bad debt expense should be recorded in the consolidated statements of loss.

Consumer financing income and receivables

The Company provides financing to consumers through direct financing leases and loans.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of the equipment ownership to customers, are carried at amortized cost. These leases are recorded at the aggregate minimum payments plus residual values accruing to the Company less unearned finance income. Unearned finance income includes origination fees earned.

Loans are recorded at amortized cost using the effective interest rate method. Interest income is allocated over the expected term of the loan by applying the effective interest rate to the carrying amount of the loan. Unearned finance income includes loan origination fees earned.

Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest method over the term of the related financial asset. These costs are incremental to individual leases or loans and comprise certain specific activities related to processing requests for financing, such as the costs to underwrite the transaction and commission payments.

Direct financing leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a direct financing lease or a loan is deemed to be impaired at the earlier of the date it has been individually provided for when timely collection is not assured or when it has been in arrears for 90 days. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

Property and equipment

Property and equipment are recorded at cost. The Company provides for depreciation using the straight-line method over their estimated useful lives. Depreciation commences once the asset is in use. The periods of depreciation are as follows:

Computer hardware	5 years
Office equipment	3 to 5 years
Leasehold improvements	5 years or the life of the leasehold, whichever is lower

The useful lives, method of depreciation and the assets' residual values are reviewed at least annually and the remaining useful life is adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which they relate may not be recoverable.

Intangible assets

Intangible assets are assets acquired that lack physical substance and that meet the specified criteria for recognition apart from goodwill. The Company's intangible assets include computer software and customer relationships and are measured at amortized cost. All of the Company's intangible assets have a finite life and are amortized on a straight-line basis over their useful lives. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of loss.

Computer software	2 to 5 years
Customer relationships	8 to 10 years

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which they relate may not be recoverable.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed and included in other expenses in the consolidated statements of loss. When the Company acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in the consolidated statements of loss.

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating units ["CGU"] to which it relates. Goodwill is not amortized but is evaluated for impairment against the carrying amount of the CGU annually or more often if events or circumstances indicate that there may be impairment.

Impairment of non-financial assets

For the purposes of assessing impairment of non-financial assets such as property and equipment, intangible assets and goodwill, assets are grouped at the lowest level for which there are separately identifiable cash inflows [CGUs]. An impairment loss is recognized for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

The Company's determination of the recoverable amount utilizes detailed budgets, forecast calculations, quoted market prices or other valuation techniques, or a combination thereof, necessitating management to make subjective judgments and assumptions.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses, for assets other than goodwill, may no longer exist or may have decreased.

Goodwill is allocated to CGUs or a group of CGUs for the purpose of impairment testing based on the level at which management monitors it, which is not larger than an operating segment. Impairment losses relating to goodwill cannot be reversed in future periods.

Financial assets and financial liabilities

The Company classifies its financial assets and liabilities into the following categories:

- Financial assets and financial liabilities at fair value through profit or loss;
- Loans and receivables; and
- Other financial liabilities.

The Company has not classified any financial instruments as available for sale. Appropriate classification of financial assets and financial liabilities is determined at the time of initial recognition or when reclassified on the consolidated statements of financial position. Financial instruments classified at fair value through profit or loss are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset or liability.

[a] Financial assets and financial liabilities at fair value through profit or loss

The Company classifies certain financial assets and financial liabilities as either held for trading or designated at fair value through profit or loss. Financial assets and financial liabilities designated at fair value through profit or loss are carried at fair value. Related realized and unrealized gains and losses are included in the consolidated statements of loss.

[b] Loans and receivables

Loans and receivables include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include trade receivables and are classified as current assets on the consolidated statements of financial position. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest rate method less any impairment. Receivables are reduced by provisions for estimated bad debts.

[c] Other financial liabilities

Other financial liabilities include trade and other payables and long-term debt instruments, including convertible debentures, and are measured at amortized cost using the effective interest rate method. Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Transaction costs related to the long-term debt instruments are netted against the carrying value of the instruments and amortized using the effective interest rate method.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that are supported by little or no market activity.

Convertible debentures

Convertible debentures are accounted for as compound financial instruments with separable debt and equity components. The debt component is measured at fair value on initial recognition by discounting the stream of future interest and principal payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The debt component is deducted from the total carrying value of the compound instrument to derive the carrying amount allocated to the equity component. The debt component is subsequently measured at amortized cost using the effective interest rate method. Interest expense based on the coupon rate of the debenture and the accretion of the liability component to the amount that will be payable on redemption are recognized as finance costs in the consolidated statements of loss.

Debt extinguishments

Equity and debt instruments issued to a creditor to extinguish a financial liability are measured at the fair value of the instruments issued. If the fair value of the instruments issued cannot be measured reliably, it is measured at the fair value of the financial liability extinguished. Any differences between the carrying amount of the financial liability and the fair value of the consideration are recognized in the consolidated statements of loss.

Share-based compensation

The Company accounts for share-based awards that require the Company to measure and recognize compensation expense for all share-based compensation awards made to employees, consultants and directors based on estimated fair values. The fair value of share-based compensation is determined using the Black-Scholes option pricing model, which is affected by the Company's share price as well as assumptions regarding a number of variables on the date of grant.

A forfeiture rate is incorporated into the Company's share-based assumptions. Forfeitures are estimated at the time of grant and are based on historical experience. To the extent that the actual forfeiture rate is different from the Company's estimate, share-based compensation related to these awards will be different from the Company's expectation and forfeiture rates for subsequent periods are revised.

Employee share-based compensation is expensed using the straight-line method for each individual tranche over the vesting period. The offsetting entry to the share-based compensation expense is an increase to contributed surplus. Where applicable, non-employee share-based compensation is measured at the earlier of completion of performance, when a performance commitment is reached or when the options have vested.

Foreign currency

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statements of loss.

On consolidation, the revenue and expenses of subsidiaries with a different functional currency than the Company's presentation currency are translated in these consolidated financial statements at the average exchange rate for the reporting period, and assets and liabilities are translated at the closing rate. Exchange differences arising from the translation are recognized in other comprehensive income.

Income taxes

Current income tax assets and liabilities in the consolidated financial statements are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

[a] Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

[b] In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against, which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against, which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances change. The adjustment would either be treated as a reduction to goodwill [as long as it does not exceed goodwill] if it is incurred during the measurement period or in the consolidated statements of loss.

Loss per share

Loss per share amounts are calculated by dividing the net loss for the year attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued on conversion of all dilutive instruments, such as options, warrants and convertible debentures, into common shares.

Future accounting changes

The following IFRS pronouncements have been issued but are not yet effective and may have a future impact on the Company's consolidated financial statements.

IFRS 9, *Financial Instruments* ["IFRS 9"], was issued in November 2009 and amended in October 2010, November 2013, and July 2014, and is effective for years beginning on or after January 1, 2018, to be applied retrospectively, or on a modified retrospective basis. It is intended to replace IAS 39. The project has been divided into three phases: classification and measurement, impairment of financial assets, and hedge accounting. IFRS 9's classification and measurement methodology provides that financial assets are measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement for financial liabilities remains generally unchanged. The new standard replaces the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. The standard introduces a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Company's consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"] was issued in May 2014 and is effective for years beginning on or after January 1, 2018, to be applied retrospectively or on a modified retrospective basis. IFRS 15 clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to lease contracts, financial instruments and other related contractual rights and obligations and insurance contracts. Management is currently evaluating the potential impact that the adoption of IFRS 15 will have on the Company's consolidated financial statements.

IFRS 16, *Leases* ["IFRS 16"], will replace IAS 17, *Leases* ["IAS 17"]. IFRS 16 substantially carries forward IAS 17 accounting requirements for lessor accounting, with additional disclosure requirements. For lessee accounting, the new standard will result in almost all leases being accounted for similar to finance leases under IAS 17, including leases previously accounted for as operating leases. IFRS 16 is to be effective for fiscal years beginning on or after January 1, 2019. Management is currently evaluating the potential impact that the adoption of IFRS 16 will have on the Company's consolidated financial statements.

4. Critical accounting estimates and use of judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and judgments are made based on information available as at the date the consolidated financial statements are issued. Accordingly, actual results may differ from those recorded amounts. Areas of financial reporting that require management's estimates and judgments are discussed below.

Business combinations

Business combinations require management to exercise judgment in measuring the fair value of assets acquired and liabilities and contingent liabilities incurred or assumed.

Management uses judgment in estimating the fair value of intangible assets, such as customer relationships, acquired in a business combination and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. Management also uses judgment in estimating customer attrition rates to determine the appropriate amortization period for the customer relationships intangible asset.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Goodwill impairment

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable values of the Company’s CGUs and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Valuation of compound financial instruments

Convertible debenture conversion options require an estimation of the fair value of a similar liability that doesn’t have an associated equity component by using a suitable discount rate at initial recognition. The carrying amount of the conversion options is then determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole. Additionally, significant judgment is required when accounting for the redemption, conversion or modification of these instruments.

Stock options

Compensation expense relating to stock option awards granted by the Company to employees and non-employees in exchange for services rendered is based on the fair value of the option. The stock option fair value is determined using the Black-Scholes option valuation model, which requires the use of assumptions and is, by its nature, subject to measurement uncertainty.

Allowance for credit losses

Judgment is required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, the fair value of underlying collateral, current economic trends, the expected residual value and the underlying leased assets, and past experience.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held with regulated financial institutions and other short-term, liquid investments with original maturities of three months or less.

Included in cash and cash equivalents are unutilized funds amounting to $1,357 that were received under the Senior Secured Debentures. These funds may only be used for the funding of HVAC lease contracts. The Company is required to maintain minimum cash collateral of 10% of the original amount of the Senior Secured Debentures.

6. Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 day terms. Management regularly measures the credit quality of trade receivables based on individual customer and market factors. At December 31, 2015, approximately 98% of the Company’s trade receivables are considered current and the Company had recorded an allowance for doubtful accounts of $222 [2014 – $77].

Trade receivables at December 31, 2014 included $913 sold for proceeds of $813. Of this amount, $100 was sold to a related party [who ceased to be a related party in September 2014]. If the trade receivables were not paid at maturity, the third party had the right to request the Company to pay the unsettled balance. As the Company had not transferred the significant risks and rewards relating to these trade receivables, it recognized the full carrying amount of the receivables and recognized the cash received on the transfer as a factoring advance in other liabilities. For the year ended December 31, 2015 the Company incurred total factoring costs of $82 [2014 – $242] recognized through the consolidated statements of loss.

[In thousands of dollars, unless otherwise stated]

7. Finance receivables

Finance receivables comprise the following:

		2015 $	2014 $
Lease receivable	[a]	**921**	—
Loan receivable	[b]	**316**	—
Secured note receivable	[c]	**667**	—
		1,904	—

[a] Lease receivable

Direct financing leases are carried at amortized cost. Initial direct costs that relate to the origination of the finance receivables are deferred and recognized as yield adjustments using the effective interest method over the term of the related financial asset.

	2015 $	2014 $
Aggregate minimum payments	**1,525**	—
Unearned income	**(637)**	—
Unamortized initial direct cost	**33**	—
Lease receivable	**921**	—

Scheduled collections of minimum monthly lease payments at December 31, 2015 are presented in the following table. The Company's experience has shown that the contractual payment streams will vary depending on a number of variables including prepayment rates, charge-offs and modifications. Accordingly, the following scheduled collections of minimum monthly payments are not to be regarded as a forecast of future cash collections.

	Minimum payments $	Principal reduction $
2016	163	53
2017	163	60
2018	162	68
2019	162	77
2020	162	87
2021 and thereafter	713	543
Total minimum lease payments	1,525	888

[In thousands of dollars, unless otherwise stated]

At December 31, 2015, management estimated that there were no significant impairments within the lease receivable portfolio and a provision for credit losses was not required.

[b] Loan receivable

During the fourth quarter of 2015, the Company entered into a series of short-term loan receivable agreements with a third-party originator of HVAC financing contracts. The loan receivable earned interest at 8.5% per annum and was secured by underlying lease contracts. In January 2016, an agreement was reached between the Company and the borrower and the loan receivable was settled with the purchase of underlying lease contracts by the Company giving rise to no gain or loss.

[c] Secured note receivable

At December 31, 2015, a secured note issued to a third party for principal and interest of $678 and related legal fees of $76 was written down to its net realizable value of $667. Subsequent to the year end, the net realizable amount was collected.

8. Other assets

Other assets consist of the following:

	2015	2014
	$	$
Prepaid expenses	**433**	124
Security deposits	**172**	116
HST receivables	**77**	218
Tenant allowance	**100**	—
Amounts due from vendor of Gemma	**2,670**	—
	3,452	458

The purchase arrangement for Gemma includes certain terms whereby the vendor guarantees certain minimum revenue levels from the date of acquisition through to March 31, 2016 *[note 10]*. The Company estimated the fair value of this revenue guarantee at the date of acquisition at $1,560 and as at December 31, 2015 at approximately $2,280. The change in the fair value has been included in the consolidated statements of loss. Other amounts due from the vendor of Gemma include the reimbursement of certain severance commitments.

[In thousands of dollars, unless otherwise stated]

9. Property and equipment

	Computer hardware	Office equipment	Leasehold improvements	Total
	$	$	$	$
Cost				
As at January 1, 2014	206	191	338	735
Additions	256	195	20	471
Translation	7	7	1	15
As at December 31, 2014	469	393	359	1,221
Additions	**493**	**128**	**300**	**921**
Disposals	**—**	**(155)**	**—**	**(155)**
Translation	**4**	**20**	**3**	**27**
As at December 31, 2015	**966**	**386**	**662**	**2,014**
Accumulated depreciation				
As at January 1, 2014	79	99	141	319
Depreciation	122	48	91	261
Translation	4	7	1	12
As at December 31, 2014	205	154	233	592
Depreciation	**262**	**58**	**130**	**450**
Disposals	**—**	**(6)**	**—**	**(6)**
Translation	**(2)**	**1**	**—**	**(1)**
As at December 31, 2015	**465**	**207**	**363**	**1,035**
Net book value				
As at December 31, 2015	**501**	**179**	**299**	**979**
As at December 31, 2014	264	239	126	629

The value of property and equipment under capital lease is $68. There was no impairment of assets during 2015 [2014 – nil].

[In thousands of dollars, unless otherwise stated]

10. Business combinations

Gemma Communications

On September 30, 2015, the Company acquired 100% of Gemma to significantly expand the range of services in the Engagement business segment available to its customers.

The purchase price to acquire Gemma was $3,700 comprising of [i] $2,500 cash on closing; [ii] deferred consideration with fair value of $1,420 and a principal of $1,500, payable in ten equal monthly installments of $50 commencing October 2015 and two instalments of $500 due in second and fourth quarter of 2016; [iii] additional contingent consideration in the form of a earn-out based on future revenue targets through to December 31, 2016 of up to $3,000 with an estimated fair value at acquisition of $1,340; [iv] reduced by minimum revenue guarantees for the period from acquisition through March 31, 2016 with an estimated fair value at acquisition of $1,560.

The allocation of the purchase price to the fair value of the net assets acquired of Gemma is summarized in the table below:

	$
Trade receivables	**3,038**
Prepaid and other assets	**378**
Property and equipment	**694**
Software licenses	**409**
Customer relationships	**300**
Goodwill	**429**
Assets acquired	**5,248**
Bank indebtedness	**(23)**
Accounts payable and accrued liabilities	**(1,397)**
Deferred tax liability	**(77)**
Finance lease obligations	**(51)**
Liabilities assumed	**(1,548)**
Net assets acquired	**3,700**
Cash	**2,500**
Deferred consideration	**1,420**
Fair value of contingent consideration	**1,340**
Fair value of minimum revenue guarantee	**(1,560)**
Total consideration	**3,700**

The goodwill acquired represents the benefits that the Company expects to receive from the acquisition, including expected synergies and cost savings from combining operations, cross-selling of services, intangible assets of the organized workforce that do not qualify for separate recognition and other factors. The Company has determined that the goodwill recognized related to this acquisition is not deductible for tax purposes.

The Company has incurred transaction costs of $161 relating primarily to external legal fees, consulting fees, and due diligence costs. These costs have been reflected in the consolidated statement of loss.

Contingent consideration and minimum revenue guarantee

In the event that Gemma's revenue for the five quarters following the closing of the transaction [October 1, 2015 to December 31, 2016 by quarter] meet minimum target amounts, the previous owner of Gemma can earn additional consideration of up to $3,000. In the event that Gemma does not meet the minimum revenue targets, no amount is payable by the Company. The minimum revenue targets vary by quarter. In addition, the vendor had guaranteed certain minimum revenue levels for the fourth quarter of 2015 and first quarter of 2016. In the event these guaranteed revenue levels are not achieved then the vendor will reimburse the Company.

As at the acquisition date, the fair value of the contingent consideration was estimated to be a liability of $1,340 with the fair value of the guaranteed revenue being estimated to be an asset of $1,560. The estimate of fair value was determined using the discounted cash flow method and requires subjective assumptions to be made of various potential revenue scenarios and a discount rate of 7%.

The Company reassessed the fair value of the contingent consideration as at end of December 31, 2015. Due to actual results differing from expectations and changes in management's assumptions, the fair value of contingent consideration was reduced from $1,340 on date of acquisition to $390 at December 31, 2015. The change in the fair value was included in the consolidated statements of loss.

The Company also reassessed the fair value of the guaranteed revenue levels as at end of December 31, 2015. Due to actual results differing from expectations and changes in management's assumptions, the fair value of guaranteed revenue was increased from $1,560 on date of acquisition to $2,280 at December 31, 2015. The change in the fair value was included in the consolidated statements of loss.

From the date of acquisition, Gemma contributed revenue of $2,878 and a loss of $1,717 to loss before income taxes of the Company.

Impact Mobile

In July 2014, the Company acquired all the issued and outstanding shares of Impact Mobile for cash consideration of $500 and 5,500,000 common shares of the Company, 1,500,000 of which were to be held in escrow and used to retain key executives of Impact Mobile over three years for a total purchase price of $1,573.

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2015

The allocation of the purchase price to the fair value of the net assets acquired of Impact is summarized in the table below:

	$
Trade receivables	1,063
Prepaid and other assets	997
Property and equipment	305
Computer software	135
Customer relationships	180
Goodwill	689
Asset acquired	3,369
Bank indebtedness	(104)
Accounts payable and accrued liabilities	(1,134)
Finance lease obligations	(236)
Deferred tax liability	(83)
Deferred revenue	(239)
Liabilities assumed	(1,796)
Net assets acquired	1,573
Cash	500
Fair value of Dealnet shares issued	1,073
Total consideration	1,573

During the year, the Company finalized the purchase price allocation resulting in an increase of intangible assets of $315 representing customer relationships, an increase in deferred tax liability of $83 and a corresponding reduction in goodwill from $921 in the preliminary purchase price allocation to $689 in the final allocation. At December 31, 2014, the Company recognized a goodwill impairment of $400. The Company has incurred transaction costs of $32 relating primarily to external legal fees, consulting fees, and due diligence costs. These costs have been reflected in the consolidated statements of loss.

The goodwill acquired represents the benefits that the Company expects to receive from the acquisition, including expected synergies and cost savings from combining operations, cross-selling of services, intangible assets of the organized workforce that do not qualify for separate recognition and other factors. The Company has determined that the goodwill recognized related to this acquisition is not deductible for tax purposes.

The results of operations of Impact Mobile have been included in the consolidated financial statements from July 1, 2014, the date of acquisition. Included in the consolidated statements of loss for the year ended December 31, 2014 are revenues and net income relating to Impact Mobile of $2,428 and $241, respectively.

[In thousands of dollars, unless otherwise stated]

11. Intangible assets

	Customer relationships $	Computer software $	Other intangibles $	Total $
Cost				
As at January 1, 2014	365	945	238	1,548
Additions	—	124	10	134
Translation	—	7	—	7
As at December 31, 2014	365	1,076	248	1,689
Additions	**480**	**716**	**—**	**1,196**
Eliminations	**(365)**	**—**	**(248)**	**(613)**
As at December 31, 2015	**480**	**1,792**	**—**	**2,272**
Amortization and impairments				
As at January 1, 2014	365	128	2	495
Amortization	—	98	45	143
Impairment	—	235	201	436
Translation	—	7	—	7
As at December 31, 2014	365	468	248	1,081
Amortization	**28**	**246**	**—**	**274**
Eliminations	**(365)**	**—**	**(248)**	**(613)**
As at December 31, 2015	**28**	**714**	**—**	**742**
Net book value				
As at December 31, 2015	**452**	**1,078**	**—**	**1,530**
As at December 31, 2014	—	608	—	608

During the year, with the finalization of the purchase price allocation of the acquisition of Impact, the Company increased its intangible assets to recognize the future economic benefits of its established customer relationships and computer software. In 2015, the Company increased its intangible assets by $315. This amount is amortized on a straight-line basis over the estimated useful lives of the intangibles assets, which is approximately 10 years for customer relationships and 3 years for computer software.

On September 30, 2015, with the acquisition of Gemma, the Company increased its customer relationships by $300. This amount is amortized on a straight-line basis over the estimated useful life of the customer relationships which is considered to be approximately eight years.

During the year ended December 31, 2014, the Company discontinued the use of a piece of computer software used exclusively for one of the Company's customers as a result of contract termination. Accordingly, the Company recorded an impairment of $235 for computer software. Additionally, during the year ended December 31, 2014, the Company impaired the intangible assets related to the Consumer Finance CGU and recognized an impairment charge of $201.

[In thousands of dollars, unless otherwise stated]

12. Goodwill

	2015	2014
	$	$
As at January 1	**1,863**	1,342
Acquisitions	**429**	921
Finalization of Impact purchase price	**(232)**	—
Impairment	**—**	(400)
As at December 31	**2,060**	1,863

The Company performs its annual test for the potential impairment of goodwill in the fourth quarter. The Company has three CGUs, two of which include goodwill and/or intangible assets. The carrying value of goodwill for BPO and Mobile CGU's is $1,671 and $289, respectively.

For the purpose of impairment testing, the recoverable amounts were determined based on their value-in-use. The value-in-use method is based on estimated future cashflows over a five-year period referenced to the most recent financial forecasts approved by management and actual historic results, discounted to a present value. Beyond the initial five year period cash flows were estimated to grow at perpetual annual rates of up to 2.5%. The discount rates the Company applied in determining recoverable amount were approximately 15%, which was comprised of a risk-free rate, equity risk premium, size premium and company-specific risk premium. The risk-free rate, equity risk premium and size premium were based on data from external sources, whereas the company-specific risk premium was based on factors considered by management to be specific to the business. The assumptions used were consistent with those observed in the Company's recent arms-length business acquisitions. The Company also takes into consideration the market value of the Company by comparing the aggregate recoverable value of the CGU's to the Company's enterprise value.

In considering the sensitivity of the key assumptions discussed above, management determined that there is no reasonable possible change in any of the above that would result in the carrying value of the CGU exceeding its recoverable value.

For the year ended December 31, 2014, the estimated recoverable amount of the Mobile CGU was less than its carrying value and as a result, an impairment loss was recognized for the goodwill of the CGU of $400.

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2015

13. Accounts payable and accrued liabilities

	2015 $	2014 $
Accounts payable	**553**	1,118
Accruals	**1,774**	1,793
Payroll liabilities	**1,292**	632
Income taxes payable	**—**	14
Accrued interest and fees on debentures and notes	**—**	287
	3,619	3,844

14. Other liabilities

	2015 $	2014 $
Deferred consideration *[note 10]*	**1,340**	—
Contingent consideration *[note 10]*	**390**	—
Factoring advance *[note 6]*	**—**	813
Finance lease obligations	**137**	182
	1,867	995

15. Debentures, notes payable and loans

Debentures, notes payable and loans as at December 31 are as follows:

		2015 $	2014 $
Senior Secured Debentures	*a*	**2,824**	—
2017 Convertible Debentures	*b*	**980**	—
2015 Convertible Debentures	*d*	**—**	447
Secured Subordinated Debentures	*e*	**—**	1,483
Short-term Debentures	*f*	**—**	300
Notes payable	*g*	**—**	796
Secured revolving loan	*h*	**—**	127
		3,804	3,153

[In thousands of dollars, unless otherwise stated]

Debt instruments issued in 2015 are as follows:

	Senior Secured Debentures [a]	**2017 Convertible Debentures [b]**	**Notes payable [c]**	**Total**
	$	$	$	$
Principal	3,000	1,500	200	**4,700**
Attributed to equity component	—	(57)	—	**(57)**
Issuance costs	(228)	(186)	—	**(414)**
Repayments	—	—	(200)	**(200)**
Conversion to common shares	—	(329)	—	**(329)**
Interest accretion	52	52	—	**104**
Carrying amount	2,824	980	—	**3,804**

[a] Senior Secured Debentures

On March 12, 2015, the Company issued $3,000 of Senior Secured Debentures. The Senior Secured Debentures mature on March 12, 2018 and bear annual interest at the greater of: [i] the 3-month CDOR + 10%; or [ii] 12%. The Senior Secured Debentures are pledged against all of the underlying lease contracts of the Consumer Finance business. The funds received under these debentures may only be used for the purpose of funding of eligible consumer HVAC lease contracts.

The Company incurred transaction costs related to the issuance of the Senior Secured Debentures of $228, consisting of legal fees, commissions and other fees that have been netted against the liability amount and are being accreted over the term of the debt.

[b] 2017 Convertible Debentures

On June 18, 2015, the Company closed a private placement for $1,500 of new convertible debentures. The 2017 Convertible Debentures mature on June 18, 2017, bear interest at 12% per annum and are convertible, at the option of the holder, into common shares at a conversion price of $0.19 per share. The Company allocated a value of $1,443 to the liability component and $57 to the equity component. In determining the value of the liability, the Company applied an interest rate of 15%, which assumes no conversion feature. The Company incurred issuance costs of $186. The issuance costs have been netted against the liability and equity amounts in the same proportion as noted above.

During the fourth quarter of 2015, the holder of the convertible debentures elected to convert $380 into 2,000,000 common shares.

[In thousands of dollars, unless otherwise stated]

[c] Notes payable

During 2015, the Company issued an unsecured note for $200 bearing interest at 12% per annum. The note was repaid in cash within 30 days.

Debt instruments issued prior to 2015 and extinguished during 2015 are as follows:

	2015 Convertible Debentures [d] $	Secured Subordinated Debentures [e] $	Short-term Debentures [f] $	Notes payable [g] $	Secured revolving loan [h] $	Total $
As at January 1, 2014	2,383	—	—	671	—	3,054
Issuances	—	1,059	300	653	250	2,262
Issuance costs	—	(66)	—	—	(39)	(105)
Attributed to contributed surplus	—	(15)	(8)	—	(133)	(156)
Conversion to common shares	(2,040)	—	—	—	—	(2,040)
Conversions to other debt	—	438	—	(438)	—	—
Repayments	—	—	—	(90)	—	(90)
Interest accretion	104	67	8	—	49	228
As at December 31, 2014	447	1,483	300	796	127	3,153
Conversion to common shares	**(460)**	**(450)**	**(300)**	**(617)**	**—**	**(1,827)**
Repayments	**—**	**(1,047)**	**—**	**(16)**	**(250)**	**(1,313)**
Gain on settlement	**—**	**—**	**—**	**(163)**	**—**	**(163)**
Interest accretion	**13**	**14**	**—**	**—**	**123**	**150**
As at December 31, 2015	**—**	**—**	**—**	**—**	**—**	**—**

[d] 2015 Convertible Debentures

During the years ended December 31, 2012 and 2013, the Company issued a total of $2,500 in convertible debentures that matured in December 2015. The 2015 Convertible Debentures bear interest at a rate of 12% per annum, payable quarterly. The outstanding principal under the debentures may, at the option of the holders, be converted into common shares of the Company at a conversion price of $0.20 per share. The Company has the right to redeem the debentures, in whole or in part, from time to time, at a redemption price equal to the unpaid principal amount of the debentures to be redeemed. If the market price of the Company's common stock is less than 125% of the conversion price, then if redeemed in the first year following the closing date, the redemption price will be equal to 125% of the unpaid principal amount of the debentures to be redeemed, plus accrued and unpaid interest thereon, dropping to 110% in the second year and 100% in the third year of the debentures. The convertible debentures are a debt security (liability), an equity instrument and have an embedded conversion option.

The Company used the residual method to allocate the liability and equity portion of the convertible debenture. For the 2015 Convertible Debentures, the Company allocated a value of $2,388 to the debt component and $112 to equity. The debt component includes the embedded conversion option. Management has determined the embedded conversion option required separation from the debt component but the fair value was not considered to be material. The value of the debt was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest coupon rate of 15% which assumes no conversion feature.

In July and August, 2014, the Company issued 425,000 common shares relating to the conversion of the 2015 Convertible Debentures with a principal of $85.

Additionally, in December 2014, the Company offered holders of the convertible debentures an incentive to convert their debentures on or before December 31, 2014. In addition to the common shares to be received upon conversion, the Company offered holders [i] one common share purchase warrant for every common share issued upon conversion and [ii] the equivalent of an additional six months of interest beyond the conversion date on the principal portion of the convertible debenture, settled through the issuance of common shares of the Company at the rate of five common shares for every $1.00 of interest.

On December 31, 2014, the Company received forms of election to convert a total of $1,955 of principal as a result of this incentive. The Company issued 9,755,000 common shares relating to the original conversion. Additionally, the Company issued [i] 9,755,000 common share purchase warrants with an exercise price of $0.30 and a term of 18 months and [ii] 586,500 common shares which is equal to the additional six months of interest on the debentures converted, at the rate of five common share for every $1.00 of interest. The Company recorded transaction costs of $44 in relation to the conversions, which were expensed through loss. Included in the consolidated statements of loss for the year ended December 31, 2014 was an $848 expense representing the fair value of the incentive provided for the convertible debentures that were converted under the early conversion program as well as transaction costs.

During 2015, the Company received forms of election to convert an additional $460 of principal in exchange for 2,300,000 common shares.

[e] Secured Subordinated Debentures

During 2014, the Company raised gross proceeds of $1,497 through the issuance of Secured Subordinated Debentures. Included in the gross proceeds was the conversion of $438 of short-term note issued earlier in 2014.

The Secured Subordinated Debentures matured on January 29, 2015 and bear interest at 15% per annum, payable at maturity. In addition, a 3% loan establishment fee was paid to holders of the debenture on the maturity date. The Company elected to extend the maturity date of the secured subordinated debentures by an additional six month period, provided that the unpaid principal bore interest at 2% per month.

In conjunction with the issuance of the Secured Subordinated Debentures, the Company issued 1,047,900 common share purchase warrants with a term of two years and an exercise price of $0.30.

The Company used the residual method to allocate the liability and equity portion of the secured subordinated debenture. The Company allocated a fair value of $1,482 to the liability component and $15 to the equity component. The value of the debt was measured using a discounted cash flow method. In determining the fair value of the liability, the Company applied an interest coupon rate of 18% which assumes no equity component. The Company recorded transaction costs of $66 related to the Secured Subordinated Debentures, which were netted against the liability.

During February 2015, $450 of these debentures were settled through the issuance of common shares and warrants and the Company elected to extend the remaining balance of $1,047 for a further six months at an interest rate of 2% per month. In June 2015, the Company redeemed and repaid the outstanding balance.

[f] Short-term Debentures

On July 2, 2014, the Company issued $300 of Short-term Debentures. The Short-term Debentures matured on January 2, 2015 and bore interest at the rate of 12% per annum, payable on maturity. In conjunction with the issuance of the Short-term Debentures, the Company issued 300,000 common share purchase warrants with a term of two years and an exercise price of $0.29.

The Company used the residual method to allocate the liability and equity portion of the Short-term Debenture. The Company allocated a fair value of $292 to the liability and $8 to the equity component. The fair value of the debt was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest coupon rate of 18% which assumes no equity component.

During 2015, the Short-term Debentures, including accrued but unpaid interest, were settled through the issuance of 1,678,946 common shares and warrants.

[g] Notes payable

Notes payable consists of the following:

[i] During 2008, the Company agreed to issue unsecured, non-interest bearing promissory notes. As at December 31, 2014, the outstanding balance was $565. During 2015, promissory notes amounting to $454 were settled through the issuance of 2,114,211 common shares and common share purchase warrants of the Company resulting in a gain of $50. The remaining $113 of non-interest bearing notes were written off.

[ii] During 2013, the Company issued an unsecured note for $106 to a vendor to settle amounts owing to the vendor. The note was repayable weekly commencing January 1, 2014 and interest accrued on the outstanding month end balance at 2% per month until the outstanding balance was paid. During 2015, this note was fully paid off.

[iii] In December 2014, a wholly owned subsidiary issued an unsecured promissory note for cash proceeds of $215. The unsecured promissory note bears interest at the rate of 12% per annum. The note also had a loan establishment fee of 7%, which equated to $15 and was paid at issuance. The unsecured promissory note is due on the earlier of [i] 120 days from the date of issuance [ii] the first closing of the private placement that was announced by the Company on November 25, 2014 [iii] January 31, 2015 at the option of the note holder and [iv] a date that is mutually agreed to by the note holder and the Company. During 2015, the entire note, including accrued interest, was settled through the issuance of 1,150,000 common shares and warrants

[iv] During 2014, the Company issued unsecured short-term notes of $438. The notes bore interest at the rate of 12% per annum. The short-term notes and the accrued but unpaid interest of $10 were converted into Secured Subordinated Debentures during 2014.

[h] Secured revolving loan

On May 23, 2014, a wholly-owned subsidiary of the Company entered into a $2,000 secured revolving loan facility maturing on May 23, 2016. The Company paid to the lender a standby fee of 5% per annum on all undrawn amounts under the secured revolving loan facility commencing on June 1, 2014, payable monthly in arrears. The Company paid to the lender 12% per annum on all drawn amounts. The secured revolving loan facility was provided to the Company to underwrite HVAC rental contracts, which was the lender's security in the occurrence of default. In addition, the Company also issued 1,000,000 common share purchase warrants each to purchase one common share of the Company at an exercise price of $0.29 per share, expiring two years from the date of issuance.

The Company used the residual method to allocate the liability and equity portion of the secured revolving loan. The Company estimated the fair value of the equity component to be $133. The fair value of the liability was measured using a discounted cash flow method. In determining the value of the liability, the Company applied an interest coupon rate of 18% which assumes no equity component. The Company recorded transaction costs of $39 relating to the loan facility.

The fair value of the equity component as well as the transaction costs totaling $172 was netted against the liability and is being accreted over the term of the loan.

As at December 31, 2014, the Company had outstanding advances of $250 from the secured revolving loan facility. For the year ended December 31, 2014, the Company accrued $68 in interest expense and standby fees related to the secured revolving loan facility and recorded accretion of interest and transaction costs of $49. As at December 31, 2014, the unaccreted portion of $123 has been netted against the liability.

Furthermore, an unrelated party is acting as an agent for a consortium of investors, of which, an officer of the Company is a beneficial participant of the consortium having committed to provide five percent of the principal amount of the credit facility. The officer did not have any participation in the warrants issued in connection to the secured revolving loan facility.

On March 12, 2015, this facility was repaid and cancelled by the Company.

[In thousands of dollars, unless otherwise stated]

[i] 2014 debt settlements

During the year ended December 31, 2014, the Company entered into agreements to settle a $34 liability with an unsecured creditor for $28, consisting of a cash payment of $14 and the issuance of common shares of the Company with fair value of $14, resulting in a gain on settlement of $6.

16. Commitments

The Company has entered into various property leases relating to rental of offices expiring on various dates through 2025. As at December 31, the Company is committed to minimum lease payments as follows:

	$
2016	2,280
2017	2,180
2018	1,989
2019	1,705
2020	1,586
2021 and thereafter	1,596
	11,336

17. Contingencies

From time to time, the Company encounters disputes and is sometimes subject to claims from third parties in relation to its normal course of operations. The Company generally believes such claims are without merit and will consult with its legal counsel to vigorously defend its position.

[In thousands of dollars, unless otherwise stated]

18. Income taxes

The Company has a $160 income tax recovery for 2015 [2014 – nil]. Reconciliation of tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2015 and 2014 is as follows:

	2015 $	2014 $
Loss before income taxes	**(6,456)**	(4,575)
Income tax at statutory rate of 26.5% [2014 – 26.5%]	**(1,711)**	(1,213)
Impact of foreign income tax rate differential	**(29)**	55
Non-deductible stock-based compensation	**306**	52
Tax benefits not recognized	**1,250**	1,086
Other permanent differences	**24**	20
Recovery of income taxes	**(160)**	—

The significant components of deferred income tax assets and liabilities are as follows:

	2015 $	2014 $
Non-capital losses carried forward	**223**	7
Property and equipment	**(63)**	(3)
Intangible assets	**(160)**	(4)
Net deferred tax asset (liability)	**—**	—

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized. The following represents the deductible temporary differences that have not been recognized in the financial statements.

	2015 $	2014 $
Scientific research and experimental development	**23**	—
Share issuance costs	**2,387**	—
Convertible and Secured Subordinated Debenture	**105**	229
Loss carry-forward – United States	**1,572**	553
Loss carry-forward – Canada	**16,152**	10,331
	20,239	11,113

The Company offsets the deferred tax assets and deferred tax liabilities to the extent that they relate to the same taxing authorities and there is a legally enforceable right to do so.

The Company has tax losses of $17,007 and $1,647 available in Canada and the Unites States, respectively [2014 – $10,331 and $553, respectively] available to be applied against future years' taxable income. In order to record a deferred income tax asset, it must be more likely than not that the deferred tax asset resulting from the tax losses available for carry forward will be realized. Given the Company's history of losses, the Company has not recognized a benefit. The tax losses expire in years ranging from 2026 through 2035.

In March 2014, Impact Mobile amended various tax returns in Canada based on the outcome of a transfer pricing study. The transfer pricing study concluded that Impact Mobile should be using a different transfer pricing methodology, which resulted in allocating a smaller portion of overhead and management costs to its operations in the United States, where its US entity had tax losses available. In November 2014, the Company received notice of assessments from the Canada Revenue Agency approving the transfer pricing adjustment, which resulted in the refund of $767 of income taxes from the years 2008 to 2012. The refund was received in November 2014. The refund also included refund interest of $38. The Company has refiled the tax returns in the United States for the same years with the above-noted adjustments, and it incurred income taxes, including penalties and interest, of approximately $30. Pursuant to employment agreements with certain Impact Mobile employees, 50% of any refund received, net of any amounts owing from refiling tax returns in the United States, and costs related to the refiling and transfer pricing study, are to be paid out as bonuses to these employees. The Company recognized this refund as a receivable on the date of acquisition of Impact Mobile, net of the taxes owing and amounts payable to key employees. The income taxes, penalties and interest of $30 were paid to the United States in 2015.

19. Share capital

As at December 31, 2015, an unlimited number of common shares with no par value were authorized.

Pursuant to the Shareholders' approval on October 23, 2015, the Company filed articles of amendment to create a new class of shares to be classified as "Preferred Shares". The main purpose of the creation of the Preferred Shares is to provide the Company with greater flexibility in its capital structure and in raising future capital for use in the Company's business and operations or in connection with acquisitions of other businesses or properties. An unlimited number of Preferred Shares were created and the Preferred Shares can be issuable in one or more series.

Common shares	**2015** [000s]	**2015** $	**2014** [000s]	**2014** $
As at January 1	**74,863**	**51,406**	58,276	48,041
Conversion of convertible debentures [a] [f]	**4,356**	**832**	10,200	2,130
Incentive on conversion of convertible debentures [g]	**—**	**—**	587	117
Share issuance – private placements [b]	**61,557**	**11,708**	—	—
Share issue costs [b]	**—**	**(2,141)**	—	—
Share issuance – acquisitions [h]	**—**	**—**	5,500	1,073
Share issuance – settle debts [i]	**—**	**—**	300	45
Stock options exercised [d]	**2,221**	**1,182**	—	—
Warrants exercised [c]	**9,241**	**3,695**	—	—
Reduction in stated capital [e]	**—**	**(54,000)**	—	—
As at December 31	**152,238**	**12,682**	74,863	51,406

Common share warrants	**2015** [000s]	**2015 Weighted average exercise** $	**2014** [000s]	**2014 Weighted average exercise** $
As at January 1	**12,123**	**0.30**	—	—
Issued	**46,740**	**0.37**	12,123	0.30
Exercised	**(9,241)**	**0.31**	—	—
As at December 31	**49,622**	**0.37**	12,123	0.30

Common share and common share warrant transactions during 2015 are as follows:

[a] The Company issued a total of 4,355,500 common shares relating to the conversion of debentures totaling $832 at a weighted average price of $0.20 per share. This includes the issuance of 55,500 common shares as an incentive to certain convertible debenture holders to convert their debentures prior to maturity.

[b] The Company closed two private placements during 2015:

[i] a non-brokered private placement where the Company issued a total of 27,056,561 units at $0.19 per unit for cash proceeds of $2,523 and the settlement of various liabilities of $2,618. The private placement closed in four tranches on February 11, 2015, March 13, 2015, June 4, 2015 and June 17, 2015. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share of the Company for $0.30 each for a term of 1.5 years from the date of issuance. A fair value of $2,037 has been

attributed to the common share purchase warrants and allocated to contributed surplus. The Company incurred share issuance costs of $260 including $74 representing the fair value of 955,677 broker warrants issued as compensation to the brokers.

[ii] a brokered private placement on August 18, 2015 where the Company issued a total of 34,500,000 units at a price of $0.40 per unit for proceeds of $13,800. Each unit consists of one common share and one half common share purchase warrant. Each full common share purchase warrant entitles the holder to purchase one common share of the Company for $0.50 each for a term of 1.5 years from the date of issuance. A fair value of $5,193 has been attributed to the common share purchase warrants and allocated to contributed surplus. The Company incurred share issuance costs of $1,881 including $895 representing the fair value of 2,070,000 broker compensation options.

[c] During the year, 9,241,324 warrants were exercised with a weighted average exercise price of $0.30 each for total cash proceeds of $2,884.

[d] The Company issued 2,220,877 common shares from the exercise of employee stock options at a price of $0.275 each for total cash proceeds of $611.

[e] At the Company's annual general and special meeting held on October 23, 2015, the shareholders approved a reduction in the Company's stated capital and contributed surplus of $54 million and up to $6.2 million, respectively. These adjustments reduced the stated capital and contributed surplus balances with a corresponding decrease in the Company's deficit balance.

Common share and common share warrant transactions in 2014 are as follows:

[f] The Company issued 10,200,000 common shares relating to the conversion of $2,040 of 2015 Convertible Debentures at a price of $0.20 per share. In relation to these conversions, there was a $90 movement from contributed surplus to share capital.

[g] The Company issued 586,500 common shares relating to the six months of additional interest offered to holders of the convertible debentures as an incentive to convert on or before December 31, 2014.

[h] The Company issued 5,500,000 common shares at a price of $0.195 per share in connection with the acquisition of Impact Mobile *[note 10].*

[i] The Company issued 300,000 common shares at a price of $0.15 per share relating to $45 of unissued shares at December 31, 2013, which was the result of the settlement of consulting fees payable.

[In thousands of dollars, unless otherwise stated]

[j] During the year ended December 31, 2014, the Company issued the following warrants:

[i] 1,000,000 warrants at an exercise price of $0.29 with an expiration of 2 years in relation to the secured revolving loan. The fair value of the warrants granted was estimated to be $133 using the residual method.

[ii] 300,000 warrants at an exercise price of $0.29 with an expiration of 2 years in relation to the Short-term Debentures. The fair value of the warrants granted was estimated to be $8 using the residual method.

[iii] 1,047,900 warrants at an exercise price of $0.30 with an expiration of 2 years in relation to the Secured Subordinated Debentures. The fair value of the warrants granted was estimated to be $15 using the residual method.

[iv] 9,775,000 warrants at an exercise price of $0.30 with an expiration of 1.5 years in relation to the conversion incentive offered to holders of the Company's convertible debentures. The fair value of the warrants granted was estimated to be $687 using the Black Scholes pricing model.

As at December 31, 2015, the issued common shares included 1,000,000 common shares [2014 – 1,500,000 common shares] that have been retained and are being held in escrow by the Company for executives of Impact Mobile pursuant to the Share Purchase Agreement dated June 5, 2014 between the Company and Impact Mobile. These retention shares will be paid to these executive in three equal instalments over the first, second and third anniversary date following the closing of the transaction regardless of whether they are employees of the Company, and if not, regardless of the terms of separation.

The fair value of the warrants issued during the year was determined using the Black-Scholes option pricing model using the following assumptions:

	2015	**2014**
Average fair value of warrants issued	$0.16	$0.07
Risk-free interest rate	0.4% – 0.6%	1.0%
Expected life	1.5 years	1.5 years
Estimated volatility	100% – 115%	117%
Dividend yield	nil	nil

The following is a schedule of exercisable common share purchase warrants at December 31, 2015:

Expiry date	**Outstanding**	**Weighted average exercise**	**Remaining contractual life**
	[000s]	$	Years
June 30, 2016 – December 18, 2016	32,997	0.30	0.8
February 18, 2017	16,625	0.50	1.1
	49,622	0.37	0.8

20. Share-based compensation

The Company awards stock options to employees, officers, directors and others at the recommendation of the Board of Directors under an incentive stock plan [the "Plan"]. Options are granted at the fair value of the shares on the day granted [as decided by the Board of Directors], and vest over various terms with a varying terms of exercise. Compensation expense is recognized over the vesting terms. The changes in the number of stock options during years ended December 31, were as follows:

	2015		**2014**	
Common share stock options	[000s]	**Weighted average exercise**	[000s]	**Weighted average exercise**
As at January 1	**4,385**	**0.28**	3,475	0.28
Issued	**8,291**	**0.36**	910	0.28
Exercised	**(2,221)**	**0.28**	—	—
Expired	**(1,469)**	**0.27**	—	—
As at December 31	**8,986**	**0.35**	4,385	0.28

During 2015, the Company granted 8,291,400 stock options to employees with a five-year life and vesting over periods up to three years. The fair value of these options was estimated to be $1,852 on the date of grant using the Black Scholes option-pricing model.

During 2014, the Company granted the following options:

[a] 360,000 stock options with a two-year term to an investor relations firm vesting over one year and expiring 30 days after the termination of the contract between the firm and the Company. The contract with this firm was terminated on January 31, 2015 and the options expired unexercised on March 2, 2015. The fair value of these options was estimated to be $41 on the date of grant using the Black Scholes option-pricing model.

[b] 549,700 stock options with a three-year term, of which 50% vested immediately and the remaining 50% vesting over two years. The fair value of these options was estimated to be $76 on the date of grant using the Black Scholes option-pricing model.

The weighted average remaining contractual life and weighted average exercise price of options outstanding as at December 31, 2015 are as follows:

Expiry date	Options outstanding	Weighted average exercise price	Remaining contractual life	Options vested	Options unvested
	[000s]	$	Years	[000s]	[000s]
December 2015 [i]	490	0.28	—	490	—
2016	250	0.23	0.9	250	—
2017	464	0.28	1.6	348	116
2018	1,450	0.23	2.3	925	525
2020	6,331	0.40	4.5	3,132	3,199
	8,985	0.36	3.6	5,145	3,840

[i] Options to employees that expired on December 11, 2015 were extended due to a blackout period. These were exercised when the blackout period ended in February 2016.

In addition to the employee stock options noted above, the Company issued 2,070,000 broker compensation options in connection with the brokered private placement that closed on August 18, 2015. Each broker compensation option is exercisable for one unit at an exercise price of $0.40 each. Each unit consists of one common share and one half common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share at an exercise price of $0.50 each. The broker compensation options have a term of 18 months from the date of issue.

The expense on share based compensation recognized during the year is $1,154 [2014 – $196]. There are no cash settlement alternatives and the Company does not have a past practice of cash settlement for share options.

The fair value of the employee and broker compensation options was determined using the Black-Scholes option pricing model using the following assumptions:

	2015	2014
Average fair value of options granted	$0.22	$0.07
Risk-free interest rate	0.4% – 1.0%	1.0% to 1.1%
Expected life	1.5 to 5.0 years	2.0 to 3.0 years
Estimated volatility	85% – 105%	126%
Dividend yield	nil	nil

[In thousands of dollars, unless otherwise stated]

21. Revenues

Included in revenues for the year ended December 31, 2014 is a one-time penalty fee received by the Company for the early termination of a call centre contract [BPO revenues] of $813.

22. Finance costs, net

	2015	**2014**
	$	$
Interest	**257**	574
Accretion of finance costs	**254**	245
Factoring costs *[note 6]*	**82**	242
Incentive cost for conversion of debentures *[note 15]*	**75**	848
Foreign exchange loss	**82**	110
Gain on settlement of debt *[note 15]*	**(163)**	(6)
Other gains on settlement of liabilities	**(84)**	—
	503	2,013

23. Business acquisition costs

	2015	**2014**
	$	$
Gemma acquisition	**161**	—
EcoHome acquisition	**186**	—
Other acquisition related costs	**103**	32
	450	32

24. Related party transactions

Compensation of key management personnel for the year ended December 31 is as follows:

	2015	**2014**
	$	$
Salaries, bonuses and benefits	**752**	916
Termination benefits	**190**	—
Share-based compensation	**916**	58
	1,858	974

[In thousands of dollars, unless otherwise stated]

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period relating to those considered to be key management personnel. Key management personnel are those having authority and responsibility at any time during the year for planning, directing and controlling the activities of the Company, including senior management and members of the Board. The total number of key management personnel was 11 during 2015.

Other related party transactions

During 2015, the Company received subscriptions of $313 from related parties for units in cash.

Subsequent to the Company's acquisition of One Contact Canada Group Inc. [OCCGI] in 2012, the Company agreed to provide one of the selling shareholders of OCCGI who assumed a management role with the Company compensation equal to 20% of the earnings before interest, tax, depreciation and amortization of OCCGI on a quarterly basis for services to be rendered up to $400. For the period from the date of acquisition [May 24, 2012] to December 31, 2012, and the year-end December 31, 2013, this executive elected to forgo any and all entitlements to earn-out payments for those respective periods. Accordingly, the Company did not accrue or pay any amounts for those periods. For the year ended December 31, 2014, the Company accrued $138. In March 2015, the Company and the executive agreed to amend the terms of this compensation and agreed to a one-time bonus of $162 for services provided in 2015 for full and final settlement of any future amounts.

25. Financial instruments

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels, Level 1, Level 2 or Level 3, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities. The Company holds various forms of financial instruments as follows:

			2015		
	Category	**Level 1**	**Level 2**	**Level 3**	**Total**
		$	$	$	$
Assets					
Cash and cash equivalents	FVTPL	**10,812**	**—**	**—**	**10,812**
Trade receivables	Loans and receivables	**—**	**3,866**	**—**	**3,866**
Finance receivable	Loans and receivables	**—**	**1,904**	**—**	**1,904**
Liabilities					
Accounts payable and other liabilities	Other financial liabilities	**—**	**(5,486)**	**—**	**(5,486)**
Debentures and loans	Other financial liabilities	**—**	**—**	**(3,804)**	**(3,804)**

[In thousands of dollars, unless otherwise stated]

		2014			
	Category	**Level 1**	**Level 2**	**Level 3**	**Total**
		$	$	$	$
Assets					
Cash and cash equivalents	FVTPL	616	—	—	616
Trade receivables	Loans and receivables	—	2,097	—	2,097
Liabilities					
Accounts payable and other liabilities	Other financial liabilities	—	(4,839)	—	(4,839)
Debentures and loans	Other financial liabilities	—	—	(3,153)	(3,153)

There is no organized market for the finance receivables. Therefore, the carrying value is the amortized cost using the effective interest rate method. The contractual interest rates approximate current market rates. There were no transfers between Level 1 and Level 2.

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on the consolidated financial statements.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to fluctuations in the realizable values of its cash, trade receivables and finance receivables. Cash accounts are maintained with major international financial institutions of reputable credit and therefore bear minimal credit risk.

In the normal course of business, the Company is exposed to credit risk from its corporate engagement business customers, and the related trade receivables are subject to normal commercial credit risks in Canada and the United States. A substantial portion of the Corporation's trade receivables are concentrated with a limited number of large customers, all of which the Corporation believes are subject to normal industry credit risks. At December 31, 2015, the Company recorded an allowance for bad debts of $222 [2014 – $77]. For the year ended December 31, 2015, 27% of the Company's receivables are due from one customer [46% for the year ended December 31, 2014], and 54% of the receivables are due from four customers [62% for the year ended December 31, 2014].

As with trade receivables, the Company's overall exposure to credit risk arising from consumer finance receivables is governed by credit specific risk appetite limits and credit risk policies as approved by the Company's Board of Directors. The Credit and Risk Committee of the Board has established and monitors credit risk related policies and guidelines enterprise-wide, taking into account business objectives, risk appetite, planned financial performance and risk profile. Credit risk limits are established for all types of credit exposures and include geographic, product, size, and security type limits. The Credit and Risk Committee oversees the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, and the adequacy of loan loss reserves and write-offs.

Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to mitigate interest rate risk, the Company structures its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on the term facility and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis.

Currency risk

The Company operates in Canada and United States. The functional currency of the Company is Canadian dollars. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian-denominated financial statements of the Company's subsidiaries may vary on consolidation into Canadian dollars.

The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables held constant, would have resulted in an insignificant change to the loss for the year. As at December 31, 2015 the Company did not hedge any translation exposures.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the Company's liquidity to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due and sustains and grow its assets and operations under both normal and stress conditions.

The most significant exposure to liquidity risk relates to the repayment of debentures, notes payable and loans *[note 15].* This exposure is managed as the cash flows generated by the Company's net investment in leases and loans, and future minimum payments on equipment under operating leases are term matched to meet the repayment requirements.

[In thousands of dollars, unless otherwise stated]

Contractual obligations

The following table outlines the Company's contractual obligations as at December 31, 2015:

Description	Total	Less than one year	Years two and three	Beyond three years
	$	$	$	$
Accounts payable and accrued liabilities	3,619	3,619	—	—
Other liabilities	1,867	1,867	—	—
Senior Secured Debentures	3,000	—	3,000	—
2017 Convertible Debentures	1,120	—	1,120	—
Interest payable	979	494	485	—
Total	10,585	5,980	4,605	—

26. Capital disclosures

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value. The Company's capitalization is as follows:

	2015	**2014**
	$	$
Senior Secured Debentures	**2,824**	1,483
Convertible debentures	**980**	447
Other	**—**	1,223
Total debt	**3,804**	3,153
Shareholders' equity (deficiency)	**14,888**	(2,078)
	18,692	1,075

27. Reportable segment information

The Company currently operates in three reportable segments namely, BPO Engagement, Mobile Engagement and Consumer Financing.

The BPO Engagement segment operates in Canada and the United States providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services.

The Mobile Engagement services segment operates in Canada and the United States providing end-to-end mobile marketing solutions allowing businesses to interact directly with mobile subscribers.

The Consumer Financing segment operates solely in Canada and provides consumer financing solutions to a network of HVAC dealers.

[In thousands of dollars, unless otherwise stated]

The Company's chief operating decision maker monitors the operating results of these business units separately for the purposes of assessing performance and allocating resources. The primary measure that is used in assessing operating performance of the operating segment is segment profit which is defined as revenue less costs of sales, salaries and wages and general administration expenses.

	BPO	**Mobile** $	**2015 Consumer financing** $	**Corporate** $	**Consolidated** $
Revenue					
Canada	5,693	4,340	—	—	**10,033**
United States	4,304	1,325	—	—	**5,629**
Finance income	—	—	248	—	**248**
	9,997	5,665	248	—	**15,910**
Cost of sales	7,707	1,509	392	—	**9,628**
Gross profit (loss)	2,290	4,156	(164)	—	**6,282**
Expenses					
Salaries, wages and benefits	2,569	2,999	299	1,387	**7,254**
General and administration	2,188	761	281	1,281	**4,511**
Segment profit (loss)	(2,467)	396	(744)	(2,668)	**(5,483)**
Depreciation and amortization					**(717)**
Share-based compensation					**(1,154)**
Finance costs					**(503)**
Business acquisition costs					**(450)**
Change in fair value of contingent consideration					**1,650**
Loss before income taxes					**(6,657)**

Notes to consolidated financial statements

[In thousands of dollars, unless otherwise stated]

December 31, 2015

	2014				
	BPO	Mobile $	Consumer financing $	Corporate $	Consolidated $
Revenue					
Canada	2,399	2,051	—	—	**4,450**
United States	5,050	377	—	—	**5,427**
Finance income	—	—	13	—	**13**
	7,449	2,051	13	—	**9,890**
Cost of sales	4,747	599	34	—	**5,380**
Gross profit (loss)	2,702	1,830	(21)	—	**4,510**
Expenses					
Salaries, wages and benefits	807	1,130	181	700	**2,786**
General and administration	1,144	401	282	1,048	**2,875**
Segment profit (loss)	751	299	(484)	(1,748)	**(1,151)**
Depreciation and amortization					**(347)**
Share-based compensation					**(196)**
Finance costs					**(2,013)**
Business acquisition costs					**(32)**
Impairment of intangible assets and goodwill					**(836)**
Loss before income taxes					**(4,575)**

Non-current assets

Non-current assets are derived from the following geographic areas based on the location of the individual subsidiaries of the Company:

	2015 $	2014 $
Canada	**5,299**	2,982
United States	**109**	118
Total non-current assets	**5,408**	3,100

28. Loss per share

Basic and diluted loss per share ["EPS"] amounts have been determined by dividing net loss for the year by the weighted average number of common shares outstanding throughout the year.

	2015	2014
Weighted average number of common shares [000s]	**112,578**	61,501
Basic and diluted loss per share	**$(0.06)**	$(0.07)

Convertible debentures, share options and warrants have not been included in the calculation of diluted EPS because they are anti-dilutive for the years presented.

29. Supplemental cash flow information

The net change in non-cash working capital balances related to operations consists of the following:

	2015 $	2014 $
Decreases in trade receivables	**1,269**	660
Increase in finance receivables	**(1,752)**	—
Decrease (increase) in other assets	**54**	(56)
(Decrease) increase in accounts payable and accrued liabilities	**(1,479)**	533
Decrease in other liabilities	**(96)**	—
Increase (decrease) in deferred revenue	**68**	(60)
	(1,936)	1,077

During the year ended December 31, 2015, the Company had the following non-monetary investing and financing transactions:

[a] 13,778,300 common shares were issued at $0.19 to settle various liabilities amounting to $2,618.

[b] 4,355,500 common shares were issued relating to the conversion of $832 of convertible debentures at a price of $0.20 per share.

[c] The acquisition of Gemma involved deferred consideration of $1,420, contingent consideration of $1,340 and guarantee of minimum revenue of $1,560.

During the year ended December 31, 2014, the Company had the following non-monetary investing and financing transactions:

- [a] 300,000 common shares were issued at $0.15 to an unrelated party to settle a payable of $60 resulting in a gain on settlement of $15.
- [b] 5,500,000 common shares were issued at a price of $0.195 per share in connection with the acquisition of Impact Mobile.
- [c] 10,786,500 common shares were issued relating to the conversion of $2,040 of convertible debentures at a price of $0.20 per share.

30. Subsequent events

On January 12, 2016, the Company, through its wholly owned subsidiary, One Dealer Inc., closed a senior secured debenture offering and issued an initial $10 million debenture with capacity to issue up to $100 million under the established structure. The financing allows for the warehousing before securitization as well as term funding of consumer finance contracts with terms of up to ten years. The current debenture has a term of 10 years and carries a fixed interest rate of 5.99%. As part of the transaction, the Company repaid its existing $3 million Senior Secured Debenture to the same subscriber. As a part of the offering, the Company issued 2,000,000 common share purchase warrants to the subscriber. The Warrants have an exercise price of $0.67, expire on January 12, 2019 and are subject to a four-month hold period until May 13, 2016.

On February 5, 2016 the Company closed a private placement bought deal based financing of 54,545,700 subscription receipts at a price of $0.55 per subscription receipt for gross proceeds of $30 million. Each subscription receipt entitled the holder to receive one common share of the Company in exchange for each subscription receipt upon satisfaction of certain escrow release conditions, including the satisfaction or waiver of all conditions precedent to the closing by the Company of the acquisition of EcoHome Financial Inc., provided that the conditions had been satisfied by March 31, 2016. In connection with the private placement, $105 of direct costs was incurred and the underwriters received cash commissions of $1,770 and 3,218,200 non-transferable broker warrants. Each broker warrant is exercisable by the holder for one common share of the Company for a period of 18 months following the closing of the Offering at a price of $0.55 per broker warrant.

On February 18, 2016 the Company closed the acquisition of EcoHome, from Chesswood Group Limited for total consideration of $35 million. Pursuant to an amendment to the share purchase agreement dated February 17, 2016, the consideration paid for the Acquisition consisted of [i] $29 million in cash, [ii] 6,039,689 common shares of the Company having an aggregate value of $3.5 million; and [iii] a two-year unsecured convertible vendor take-back note in the principal amount of $2.5 million that bears interest at a rate of 6.0% per annum and is convertible by the holder into common shares of the Company at a conversion price of $0.64 per share. In connection with the acquisition of EcoHome, the previously issued 54,545,700 subscription receipts were exchanged for common shares of Dealnet on a one-for-one basis.

On February 22, 2016 the Company granted a total of 7,250,000 stock options to directors, employees and consultants of the Company. In accordance with the stock option plan, the stock options will vest over a period of 18 months and will be exercisable for a period of five years at an exercise price of $0.60 per stock option.

31. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current year.