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**FINDEV INC. (formerly TransGaming Inc.)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016, MAY 31, 2016 AND 2015**

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**FINDEV INC.  
(formerly TransGaming Inc.)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2016, MAY 31, 2016 AND MAY 31, 2015**

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## Management's Responsibility

To the Shareholders of Findev Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards (“**IFRS**”) that have been incorporated into Canadian Generally Accepted Accounting Principles (“**CGAAP**”) and ensuring that all information in the management discussion and analysis is consistent with these financial statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

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

The Board of Directors (“**Board**”) is composed primarily of directors who are neither management nor employees of Findev Inc. and the Audit Committee is comprised of independent directors. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and with the external auditor. The Board is also responsible for recommending the appointment of the external auditor of Findev Inc.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, has been appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditor has full and free access to, and meet periodically and separately with, the Board, Audit Committee, and management to discuss their audit findings.

/s/ “Sruli Weinreb”  
Sruli Weinreb  
Chief Executive Officer

/s/ “Claude Ayache”  
Claude Ayache  
Chief Financial Officer

Toronto  
April 28, 2017



April 28, 2017

## **Independent Auditor's Report**

### **To the Shareholders of Findev Inc. (formerly TransGaming Inc.)**

We have audited the accompanying consolidated financial statements of Findev Inc. (formerly TransGaming Inc.) and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016, May 31, 2016 and May 31, 2015 and the consolidated statements of operations and comprehensive income (loss), shareholders' equity (deficit) and cash flows for the period from June 1 to December 31, 2016 and the year ended May 31, 2016, and the related notes, which comprise 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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*PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

We believe that the audit evidence we have obtained in our audits 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 Findev Inc. (formerly TransGaming Inc.) and its subsidiaries as at December 31, 2016, May 31, 2016 and May 31, 2015 and its financial performance and their cash flows for the period from June 1 to December 31, 2016 and the year ended May 31, 2016 in accordance with International Financial Reporting Standards.

**(Signed) “PricewaterhouseCoopers LLP”**

**Chartered Professional Accountants, Licensed Public Accountants**

**FINDEV INC. (formerly TransGaming Inc.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(All Amounts are in Canadian Dollars)**

As at	December 31, 2016	May 31, 2016	May 31, 2015
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(restated see Note 2) (restated see Note 2)

**ASSETS**

Cash and cash equivalents	\$ 2,826,876	\$ 1,377,738	\$ 305,715
Receivables (Note 7)	57,910	1,250,837	1,678,465
Prepaid expenses	44,710	247,131	325,148
Loans & mortgage investments (Note 8)	13,006,567	---	---
Assets available for sale (Note 18)	168,997	---	50,918
Property and equipment (Note 18)	---	103,109	127,866
Intangible assets (Note 18)	---	---	897,420
	<u>\$ 16,105,060</u>	<u>\$ 2,978,815</u>	<u>\$ 3,385,532</u>

**LIABILITIES**

Accounts payable and accrued liabilities (Note 9)	\$ 941,581	\$ 1,136,685	\$ 2,044,417
Deferred revenues	---	83,402	496,420
Notes payable (Note 19)	---	---	1,629,044
	<u>941,581</u>	<u>1,220,087</u>	<u>4,169,881</u>

**SHAREHOLDERS' EQUITY (DEFICIT)**

Share capital (Note 10)	34,474,681	23,672,579	23,672,579
Contributed surplus and other items (Note 11)	12,393,585	8,592,473	8,990,856
Accumulated other comprehensive loss	---	(4,729,199)	(3,682,584)
Accumulated deficit	(31,704,787)	(25,777,125)	(29,765,200)
	<u>15,163,479</u>	<u>1,758,728</u>	<u>(784,349)</u>
	<u>\$ 16,105,060</u>	<u>\$ 2,978,815</u>	<u>\$ 3,385,532</u>

Nature of Organization (Note 1)  
Change of Business and Other Transactions (Note 6)

Approved on behalf of the board of directors:

\_\_\_\_\_  
*/s/ "Brice Scheschuk"*  
Brice Scheschuk, Director

\_\_\_\_\_  
*/s/ "Yisroel Weinreb"*  
Yisroel Weinreb, Director

**FINDEV INC. (formerly TransGaming Inc.)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)**  
**(All Amounts are in Canadian Dollars)**

	Number of Common Shares	Amount of Common Shares	Contributed Surplus	Other Comprehensive Loss	Accumulated Deficit	Shareholders' Equity (Deficit)
Balance, June 1, 2015 (restated Note 2)	3,337,083	\$ 23,672,579	\$ 8,990,856	\$ (3,682,584)	\$ (29,765,200)	\$ (784,349)
Stock-based compensation	---	---	103,150	---	---	103,150
Extension of warrants	---	---	(501,533)	---	---	(501,533)
Comprehensive income	---	---	---	(1,046,615)	3,988,075	2,941,460
Balance, May 31, 2016 (restated Note 2)	3,337,083	\$ 23,672,579	\$ 8,592,473	\$ (4,729,199)	\$ (25,777,125)	\$ 1,758,728
Stock-based compensation	---	---	234,474	---	---	234,474
Issuance of common shares	25,310,358	10,802,102	3,566,638	---	---	14,368,740
Dividends declared	---	---	---	---	(214,856)	(214,856)
Comprehensive loss	---	---	---	4,729,199	(5,712,806)	(983,607)
Balance, December 31, 2016	28,647,441	\$ 34,474,681	\$ 12,393,585	\$ ---	\$ (31,704,787)	\$ 15,163,479

**FINDEV INC. (formerly TransGaming Inc.)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**(All Amounts are in Canadian Dollars)**

For the Period from to	June 1 December 31, 2016 (7 months)	June 1, 2015 May 31, 2016 (12 months) (Note 18) (Restated Note 2)
<b>REVENUE</b>		
Interest income	\$ 245,963	---
	<u>245,963</u>	<u>---</u>
<b>EXPENSES</b>		
General and administrative (Note 12)	209,911	---
Share based compensation	<u>224,669</u>	<u>---</u>
	<u>434,580</u>	<u>---</u>
Loss from continuing operations	(188,617)	---
Net (loss) income from discontinued operations, net of taxes (Note 18)	<u>(5,524,189)</u>	<u>3,988,075</u>
Net (loss) income for the period	(5,712,806)	3,988,075
Exchange difference on translating foreign operations	<u>4,729,199</u>	<u>(1,046,615)</u>
<b>COMPREHENSIVE (LOSS) INCOME</b>	<u>\$ (983,607)</u>	<u>\$ 2,941,460</u>
Net income (loss) per common share		
Basic net (loss) income from continuing operations per share	\$ (0.01)	\$ 0.00
Diluted net (loss) income from continuing operations per share	<u>(0.01)</u>	<u>0.00</u>
Basic net (loss) income from discontinued operations per share	<u>(0.43)</u>	<u>1.20</u>
Diluted net (loss) income from discontinued operations per share	<u>(0.43)</u>	<u>1.09</u>
Basic net (loss) income per share	<u>(0.44)</u>	<u>1.20</u>
Diluted net (loss) income per share	<u>(0.44)</u>	<u>1.09</u>
Weighted average number of common shares outstanding,		
Basic	<u>12,848,196</u>	<u>3,337,083</u>
Diluted	<u>22,098,558</u>	<u>3,660,425</u>

**FINDEV INC. (formerly TransGaming Inc.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(All Amounts are in Canadian Dollars)**

For the Period from to	June 1 December 31, 2016	June 1, 2015 May 31, 2016
	(7 months)	(12 months) (Note 18)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income for the period	\$ (5,712,806)	\$ 3,988,075
Non-cash expenses:		
Non-cash interest	---	138,205
Stock-based compensation	234,474	101,150
Amortization	3,095	986,984
Amortization of loan initiation costs	622	---
Tax recovery of expiration of warrants	---	(192,297)
Gain on disposal of assets	268,199	(6,111,821)
Foreign exchange gain (loss)	<u>4,640,571</u>	<u>(1,488,350)</u>
	(565,845)	(2,576,054)
Net change in operating assets and liabilities		
Receivables	721,339	532,999
Prepaid expenses	202,421	78,017
Accounts payable and accrued liabilities	(409,960)	(907,732)
Deferred revenues	<u>(83,402)</u>	<u>(413,018)</u>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<u>(135,447)</u>	<u>(3,285,788)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of notes payable	---	(1,806,528)
Proceeds from issuance of common shares	15,019,340	---
Share issuance costs	<u>(650,600)</u>	<u>---</u>
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>14,368,740</u>	<u>(1,806,528)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments in property and equipment	---	(11,003)
Proceeds from disposal of assets	302,285	6,162,204
Investment in loans and mortgages	(13,000,000)	---
Transactional costs	<u>7,189</u>	<u>---</u>
<b>CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<u>(12,690,526)</u>	<u>6,151,201</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,542,767	1,058,885
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(93,629)	13,138
<b>CASH AND CASH EQUIVALENTS</b>		
- Beginning of the period	<u>1,377,738</u>	<u>305,715</u>
<b>CASH AND CASH EQUIVALENTS</b>		
- End of the period	<u>\$ 2,826,876</u>	<u>\$ 1,377,738</u>
<b>CASH AND CASH EQUIVALENTS, represented as follows:</b>		
Cash	\$ 2,826,876	\$ 1,294,847
Short-term deposit	—	82,891
<b>SUPPLEMENTAL INFORMATION</b>		
Interest received	\$ 246,585	\$ —
Interest paid	—	11,951
Income taxes paid	—	42,611

**FINDEV INC. (formerly TransGaming Inc.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**(Expressed in Canadian Dollars)**

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**1. Nature of Organization**

***Description of the Business***

Findev Inc. ("**Findev**" or "**Corporation**") was incorporated under the Canada Business Corporations Act on August 4, 2004 and filed a Certificate of Amendment on September 16, 2016 to change its name from Transgaming Inc. to Findev Inc. The Corporation is domiciled in Canada and its principal offices are located at 10 Wanless, Suite 201, Toronto, Ontario. The principal business is to provide real estate financing secured by investment properties and real estate developments. These financings are generally for a period of one to five years to help bridge a period during the various stages of development.

The Corporation is listed on the TSX Venture Exchange ("**TSXV**") under the symbol FDI. These financial statements consolidate Findev and its wholly owned legal subsidiary, TransGaming Interactive Corp. incorporated in Ontario, collectively these entities are referred to as the Corporation.

The Corporation divested itself of TransGaming Digital Home (Israel) Ltd. and TransGaming Ukraine LLC. during the period ended December 31, 2016, as well as TransGaming Digital Home Inc., a Delaware corporation, as part of the process of converting from a technology company to that of a financial real estate company.

On September 16, 2016, the shareholders of the Corporation approved a consolidation of its common shares by a ratio of 35 to 1. All numbers of shares and per share amounts prior to the share consolidation have been restated to give effect to the share consolidation as if it had occurred on May 31, 2015. Concurrently, the shareholders approved a change in fiscal year end from May 31 to December 31.

These audited consolidated financial statements of the Corporation were authorized for issue in accordance with a resolution of the directors on April 28, 2017.

**2. Basis of Presentation**

***Statement of Compliance***

These consolidated financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"), applicable to the preparation of consolidated financial statements.

***Basis of Presentation***

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of liquidation.

**FINDEV INC. (formerly TransGaming Inc.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
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**2. Basis of Presentation – continued**

***Principles of Consolidation***

These audited consolidated financial statements of the Corporation include the accounts of Findev Inc. and TransGaming Interactive Corp. as well as, TransGaming Digital Home Inc., which was wound up legally in December 2016, and TransGaming Digital Home (Israel) Ltd. and TransGaming Ukraine LLC, which were both divested of in November 2016. All significant intercompany balances, transactions and gains and losses from intercompany transactions have been eliminated on consolidation.

***Basis of Measurement***

These consolidated financial statements have been prepared under the historical cost convention, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

***Functional and Presentation Currency***

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency effective October 1, 2016. Prior financial statements were presented in United States dollars. This change in presentation currency has been accounted for as a change in accounting policy and prior period transactions affecting share capital, contributed surplus and comprehensive income were converted to the then respective exchange rates since the adoption of IFRS, June 1, 2010. Transactions during the years were converted at the then average exchange rate for the period and year-end balance sheet amounts were converted at the exchange rate as at that date.

***Critical Judgments and Estimates:***

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of income and expenses during the year. Actual results may differ from these estimates.

In making estimates, the Corporation relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior year and there are no known trends, commitments, events or uncertainties that the Corporation believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The areas involving greater judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately.

Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of these consolidated financial statements and the reported amounts of revenue and expenses during the years. Actual results could also differ from those estimates under different assumptions and conditions.

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

Critical judgements and estimates are disclosed in Note 4.

**FINDEV INC. (formerly TransGaming Inc.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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### **3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements in accordance with IFRS. Accounting policies relevant to the previous business are described in Note 18.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

#### ***Loan and Mortgage Investments***

The loan and mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the loan and mortgage investments are measured at amortized cost using the effective interest rate method (the "EIM"). The loan and mortgage investments are derecognized when the contractual rights to receive cash flows and benefits expire, or where they have been transferred and the Corporation also transfers the control or substantially all the risks and rewards of ownership.

The loan and mortgage investments are assessed each reporting year to determine whether there is any objective evidence of impairment. All individually significant loan and mortgage investments are assessed for specific impairment and are considered to be impaired if one or more loss events that have occurred after its initial recognition have a negative effect on the estimated future cash flows of the financial asset and the loss can be reliably measured.

Loan and mortgage investments that have been assessed individually and found not to be impaired and all individually insignificant loan and mortgage investments are then assessed collectively, in groups of loan and mortgage investments with similar risk characteristics, to determine whether a collective allowance should be recorded due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account (i) data from the loan and mortgage investments (such as composition of the loan and mortgage investments, borrower's ability to repay, loan defaults and arrears, the estimated value of the underlying collateral (loan to value ratios), average term to maturity, etc.), (ii) general economic and real estate market conditions (including current real estate prices for various real estate types, any near-term real estate development fundamentals), and (iii) actual historical loan losses and other relevant factors.

An impairment loss in respect of loan and mortgage investments is calculated as the difference between its carrying amount, including accrued interest and the present value of the estimated future cash flows discounted at the loan and mortgage investment's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the loan and mortgage investments. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### ***Financial Instruments***

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows and benefits related to the financial asset expire or if the Corporation transfers the control or substantially all the risks and rewards of ownership of the financial asset or transfers the significant risks and rewards, along with the unconditional ability to sell or pledge the asset to another party. Financial liabilities are derecognized when obligations under the contract are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**FINDEV INC. (formerly TransGaming Inc.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. Summary of Significant Accounting Policies – continued**

Upon initial recognition, financial instruments are measured at fair value and classified as either financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments, available-for-sale assets, loans and receivables, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge.

Financial instruments are included on the consolidated statements of financial position and measured at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities, which are measured at amortized cost using the EIM, less any impairment. Directly attributable transaction costs other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the EIM.

Under the EIM, interest income and expense are calculated and recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument to the fair value at initial recognition.

*Fair Value Hierarchy*

The Corporation classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table summarizes the accounting treatment of each of financial assets and financial liabilities:

	Classification	Measurement
Cash and cash equivalent	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Loan and mortgage investments	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Notes payables	Other financial liabilities	Amortized cost

The Corporation had neither financial assets or financial liabilities at fair value through profit or loss, available-for-sale assets, nor held-to-maturity investments or derivatives as at December 31, 2016, May 31, 2016 and 2015.

**FINDEV INC. (formerly TransGaming Inc.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**(Expressed in Canadian Dollars)**

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**3. Summary of Significant Accounting Policies – continued**

***Share Capital***

Share capital, common shares and an equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

***Warrants***

The Corporation measures the fair value of warrants issued using the Black-Scholes option-pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk free interest rate. The fair value of warrants issued in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to contributed surplus. The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as contributed surplus general account.

***Revenue Recognition – Interest and Fees Earned***

Interest and fees earned is recognized in the consolidated statements of income and comprehensive income using the EIM. The EIM discounts the estimated future cash receipts through the expected life of the loan and mortgage to its carrying amount. When estimating future cash flows, the contractual terms of the mortgage are considered, including origination revenue, interest receipts, principal receipts and contractual end-of-term participation receipts, where applicable. Participation receipts that are contingent upon future events, such as the profitability of the underlying security, are not included in the estimated cash flows. Such amounts are recorded in income when management is reasonably assured of their collection.

***Share-based Compensation***

The Corporation has an incentive stock option plan for grants to eligible directors, officers, senior management and consultants under its incentive stock option plan. The expense of the equity-settled incentive option plan is measured based on fair value of the options granted of each tranche at the grant date. The expense is recognized in proportion to the vesting features of each tranche of the grant and is reflected in equity. When incentive stock options are exercised, any consideration paid, together with the amount recorded in equity, are recorded in share capital.

***Provisions***

Provisions for legal claims, where applicable, are recognized in other liabilities when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting year, and are discounted to present value where the effect is material.

***Deferred Financing Costs***

Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the proposed financing is completed, at which time the costs will be charged against the proceeds received. If the proposed financing does not close, the costs will be charged to the statements of operations and comprehensive loss.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of common share are charged to capital stock upon the raising of equity. Costs associated with the issuance of debt are amortized using the effective interest method over the life of the debt.

**FINDEV INC. (formerly TransGaming Inc.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**(Expressed in Canadian Dollars)**

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**3. Summary of Significant Accounting Policies – continued**

***Income Tax***

Income tax comprises current and deferred taxes. Income tax is recognized in the consolidated statements of income and comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case, the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the reporting year, using tax rates enacted, or substantively enacted, at the end of the reporting year.

Deferred tax is determined based on the temporary differences between the carrying value and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in income. Deferred income tax assets and liabilities are determined based on enacted or substantially enacted tax rates and laws which are expected to apply to the Corporation's taxable income for the year in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

***Earnings per Share***

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Corporation by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated using the "if converted method" and is determined by adjusting the net income attributable to shareholders and the weighted average number of shares outstanding, adjusted for the dilutive effects of all convertible securities and granted incentive stock options and broker warrants, issued and outstanding, if any. No effect has is given to the potential exercise of warrants and stock options in the calculation of diluted net earnings (loss) per share if the effect would be anti-dilutive.

**4. Significant Accounting Policies, Judgements and Estimation Uncertainty**

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

***Fair Value of Financial Instruments***

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

***Share-Based Payment Transactions***

The Corporation measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are determined at the time of the granting of such share-based compensation.

**FINDEV INC. (formerly TransGaming Inc.)**  
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**4. Significant Accounting Policies, Judgements and Estimation Uncertainty – continued**

***Impairment of Loans and Mortgages***

At the end of each reporting period, the Corporation reviews the carrying amounts of its loans and mortgages to determine whether there are any indications that those assets had suffered an impairment loss. If any such indication existed, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amounts are the higher of fair value less costs of divestiture and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the loan and mortgage for which the estimates of future cash flows that had to be adjusted.

If the recoverable amount of a loan and mortgage was estimated to be less than its carrying amount, the carrying amount of the loan and mortgage is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Operations and Comprehensive Loss.

When an impairment loss subsequently reverses, the carrying amount of the loan and mortgage is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the loan and mortgage in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Operations and Comprehensive Loss.

***Income Taxes***

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations are made.

**5. Changes in Accounting Policies**

**Accounting standards issued and adopted**

The Corporation has not adopted any new or renewed standard including any of the consequential amendments thereto effective June 1, 2016.

**Future Accounting standards issued and to be adopted**

***IFRS 7 - Financial Instruments (“IFRS 7”)***

IFRS 7 requires entities to provide disclosure in their financial statements that enable users to evaluate the significance of financial instrument and the nature and extent of risks arising from financial instruments to which an entity is exposed and how the entity manages those risks. It was amended to (i) add guidance on whether an arrangement to service a financial asset that has been transferred constitutes continuing involvement, and (ii) to clarify that the additional disclosure required by the amendments to IFRS 7 is not specifically required for interim periods, unless by IAS 34. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2018.

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**5. Changes in Accounting Policies – continued**

*IFRS 9 – Financial Instruments (“IFRS 9”)*

IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities. The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets (fair value through other comprehensive income); (ii) a single, forward-looking “expected loss” impairment model, and (iii) a mandatory effective date of annual periods beginning on or after January 1, 2018.

*IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)*

IFRS 15 was issued by the IASB in September 2015 and replaces IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. This standard establishes principles to address the nature, amount, timing and uncertainty of revenue arising from an entity’s contracts with customers. This standard is mandatorily effective for annual reporting periods beginning on or after January 1, 2018.

*IFRS 16 – Leases (“IFRS 16”)*

IFRS 16 sets out principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all leases and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

*IAS 7 – Statement of Cash Flows (“IAS 7”)*, will expand existing guidance by requiring companies to provide information about changes in their financing liabilities in order to provide investors with information that helps them better understand changes in a company’s debt. The financial reporting impact of adopting IAS 7 should not have a material impact on the financial position of the Corporation and is effective for years beginning on or after January 1, 2017.

Management is in the process of assessing the impact of these new standard on the Corporation’s consolidated financial statements.

**6. Change of Business and Other Transactions**

On September 16, 2016, the Corporation held a special meeting of its shareholders (the “**Meeting**”) at which the Corporation’s shareholders voted in favour of:

- (i) a change of business from one focused on the digital distribution of games for Smart TVs, next-generation set-top boxes and over-the-top devices, to that of lending to, investing in and financing real estate transactions (“**Proposed COB**”) under the rules of the TSX Venture Exchange (the “**TSXV**”);
- (ii) the sale of Corporation’s GameTree TV business (“**Sale of Assets**”);
- (iii) the creation of a new Control Person (as that term is defined in the policies of the TSXV) in connection with the private placement of \$1,168,125 via subscription receipts to Plazacorp Holdings Limited, (“**Plazacorp Financing**”);
- (iv) the election of new directors of the Board of Directors (“**New Directors**”);
- (v) a consolidation of the common shares of the Corporation by a ratio of up to 35:1 (the “**Consolidation**”);
- (vi) a change of the name of the company to Findev Inc. (“**Name Change**”)

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**6. Change of Business and Other Transactions – continued**

- (vii) the offering by the Corporation of mezzanine financing credit facilities to Plazacorp Investments Limited and/or its affiliated companies (“**Credit Facility**”), and
- (viii) certain amendments to the Corporation’s incentive stock option plan (“**Plan Amendments**”), and together with the Sale of Assets, the Plazacorp Financing, the New Directors, the Consolidation, the Name Change and the Credit Facility, the “**Other Transactions**”.

***Proposed COB***

The Corporation first announced its intention to proceed with the Proposed COB in May 2016. On completion, the Proposed COB constituted a Change of Business under Policy 5.2 of the TSXV and was conditional on, among other things, the Corporation obtaining final TSXV approval. The COB was an arm's length transaction for the purposes of the TSXV. Upon completion of the COB, the Corporation became a Tier 1 investment company and become subject to the TSXV's Tier 1 listing requirements under its Investment industry segment (the “**Resulting Issuer**”) which immediately began lending, investing and financing real estate projects.

***Sale of Assets***

On May 31, 2016, the Corporation entered into a transition services agreement with GMV for the period commencing June 1, 2016 and ending on the last day of the month in which shareholder approval is obtained (September 30, 2016) for the Sale of Assets whereby any shortfall from the operations of the GameTree TV Business during the transition period will be funded.

On August 16, 2016, the Corporation entered into an asset purchase agreement for the sale of its GameTree TV business to a wholly-owned subsidiary of General Media Ventures Ltd. (“**GMV**”), for the sum of US\$125,000, plus twenty-five percent (25%) of the gross revenue generated by the GameTree TV Business for the seven months following completion of the transaction, with such sum being subject to a US\$150,000 minimum payment as long as revenues do not drop by more than twenty percent (20%) during that period, and an additional sum of US\$50,000 in the event that the gross revenue generated solely from the GameTree TV Business during the twelve month period from completion of the transaction exceeds a minimum of US\$1,500,000. For the purposes of the Sale of Assets, General Media Ventures Limited is dealing at arm's length with the Corporation.

The asset purchase agreement, was subsequently amended to a total sum of US\$225,000 with an effective closing date of November 1, 2016.

Under the asset purchase agreement, the Corporation sold, free of any encumbrances, all of the assets, technology and intellectual property that comprise the GameTree TV business, including all the shares of the Corporation’s wholly-owned subsidiaries TransGaming Digital Home (Israel) Ltd. and TransGaming Ukraine LLC, but excluding all cash, cash equivalents, and accounts receivable and assumed the accounts payables due as at October 31, 2016. GMV assumed only the liabilities and obligations relating to the operation of the GameTree TV business from and after the effective date, including the obligations to employees and contractors of TransGaming Digital Home (Israel) Ltd. and TransGaming Ukraine LLC.

***Plazacorp Financing***

As part of the proposed COB, the Corporation entered into a subscription agreement for subscription receipts with Plazacorp Holdings Limited (Plazacorp Holdings) on August 22, 2016 pursuant to which Plazacorp Holdings acquired 2,225,000 (77,875,000 pre-consolidation) subscription receipts from treasury at a purchase price of \$0.525 (\$0.015 pre-consolidation) per subscription receipt for gross cash proceeds of \$1,168,125 (“**Proceeds**”). Plazacorp Holdings received, on exchange, 2,225,000 common shares at a deemed price of \$0.525 per common share.

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**6. Change of Business and Other Transactions – continued**

***Consolidation***

The Corporation consolidated its common shares by a ratio of 35:1, which took effect following the closing of the COB.

***Name Change***

On September 16, 2016, the Corporation filed a Certificate of Amendment to change its name to Findev Inc.

***Credit Facility***

The Corporation established a secured revolving term credit facility that was made available by the Corporation to Plazacorp Investments Limited and its affiliates as mezzanine financing for certain condominium development projects.

***Plan Amendments***

The Corporation amended its stock option plan from a fixed number to a rolling stock option plan, with the maximum number of shares reserved for issuance being equal to ten percent (10%) of the issued and outstanding shares of the Corporation as at the date of the grant of an option under the amended stock option plan.

***Private Placement***

In connection with the COB and Other Transactions including, but not limited to, the Stock Consolidation, the Corporation completed a private placement of 23,085,358 subscription receipts at a price per subscription receipt of \$0.60 resulting in gross proceeds to the Corporation of \$13,851,215 ("**Private Placement**").

Each subscription receipt was automatically exercisable, without any further action by the holder of such subscription receipt, and without any additional consideration, into one common share on the satisfaction of certain escrow release conditions described in note 10. In addition, each subscription receipt will include, at no additional cost, one (1) eighteen (18) month common share purchase half-warrant and one (1) thirty-six (36) month common share purchase half-warrant. A full-warrant will entitle the holder to acquire one additional Common share from the treasury of the Corporation at an exercise price of \$0.70. The Corporation may at its sole discretion call the warrants if and when and the Common shares trade at a price equal to or greater than \$1.20 for five consecutive days.

Cranson Capital Securities Inc. ("**Agent**") acted as the agent for the Private Placement and was paid a cash amount of \$428,161, representing six percent (6.0%) of the aggregate proceeds of the Private Placement raised by the Agent.

**7. Receivables**

	December 31, 2016	May 31, 2016	May 31, 2015
Accounts receivable	\$ —	\$ 770,755	\$ 1,177,760
Sales tax refundable	57,910	8,494	134,488
Refundable tax credit	—	471,588	366,217
	<b>\$ 57,910</b>	<b>\$ 1,250,837</b>	<b>\$ 1,678,465</b>

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**8. Loan and Mortgage Investments**

As at December 31, 2016, the Corporation had principal balance of loan and mortgage investments of \$13,006,567. The loan and mortgage investments carry a weighted average effective interest rate of 9.98% and a weighted average term to maturity of 2.2 years, with maturities as follows:

Maturity	December 31, 2016	May 31, 2016	May 31, 2015
Less than one year	\$ 5,501,483	\$ —	\$ —
Between one and five years	7,505,084	—	—
More than five years	—	—	—
	\$ 13,006,567	\$ —	\$ —

These loans are guaranteed by Plazacorp Holdings Limited and can be prepaid at any time with the payment of penalty of 3 months of interest.

The loan and mortgage investments are secured by mortgages registered on title and/or other forms of security, including, but not limited to, floating charge debentures, general security agreements, postponement of specific claims and joint and several guarantees.

The Corporation may syndicate certain of its loan and mortgage investments to private investors or to financial institutions, each participating in a prescribed manner per agreement and on an investment-by-investment basis. In these investments, the investors will assume the same risks associated with the specific investment transaction as the Corporation. Each syndicated loan and mortgage investment has a designated rate of return that the syndicated investors expect to earn from that loan and mortgage investment. As at December 31, 2016, the Corporation's principal balance of loans and mortgage syndications were Nil.

The following table presents details of the loan and mortgage investments as at December 31, 2016:

	Net Investment	% of net investments
Residential housing development	\$ 13,006,567	100.0
Allowance for loan and mortgage investments loss	—	0.0
	\$ 13,006,567	100.0

**9. Accounts payable and accrued liabilities**

Accounts payable are comprised of trade payables and accrued liabilities as well as dividends of \$214,856 (May 31, 2016 – Nil).

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**10. Share capital**

The Corporation is authorized to issue an unlimited number of common shares.

During the period ended December 31, 2016, the corporation completed the following equity raises:

- a) It raised \$1,168,125 via the issuance of 2,225,000 common shares at a price of \$0.525; and
- b) It raised \$13,851,215 via the issuance of 23,085,358 common shares, one (1) eighteen (18) month Common share purchase half-warrant and one (1) thirty-six (36) month common share purchase half-warrant a full-warrant will entitle the holders to acquire one additional Common share from the treasury of the Corporation at an exercise price of \$0.70. The Corporation may at its sole discretion call the warrants if and when and the Common shares trade at a price equal to or greater than \$1.20 for five consecutive days

Upon the COB, as per TSXV policies, insiders of the Corporation going forward deposited the common shares of the Corporation which they either owned prior to the COB or as a result of acquiring additional securities of the Corporation via the Plazacorp Financing or the Private Placement. Accordingly, 11,905,237 common shares and 9,676,664 warrants were deposited in trust, with 25% released upon the release of the TSXV Bulletin, which was December 2, 2016, and 25% of the original amount placed in escrow to be released every 6 months thereafter.

As of December 31, 2016, there remained 8,928,926 common shares and 7,257,498 share purchase warrants in escrow and will be released as follows:

Date	# of shares	# of warrants
June 5, 2017	2,976,309	2,419,166
December 5, 2017	2,976,309	2,419,166
June 5, 2018	2,976,308	2,419,166
	8,928,926	7,257,498

**11. Contributed Surplus**

The Corporation's contributed surplus consists of the following:

	General	Incentive Stock Option	Warrants	Total
Balance, June 1, 2015	\$ 6,800,335	\$ 595,049	\$ 1,595,472	\$ 8,990,856
Granting of incentive stock options	—	103,150	—	103,150
Extension of warrants	—	—	(501,533)	(501,533)
Balance, May 31, 2016	6,800,335	698,199	1,093,939	8,592,473
Granting of incentive stock options	—	234,474	—	234,474
Cancellation of incentive stock options	741,689	(741,689)	—	—
Expiry of warrants	578,007	—	(578,007)	—
Issuance of warrants	—	—	3,566,638	3,566,638
Balance, December 31, 2016	\$ 8,120,031	\$ 190,984	\$ 4,082,570	\$ 12,393,585

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**11. Contributed Surplus – continued**

a) Incentive Stock options

The Corporation's Incentive Stock Option Plan ("Plan") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Corporation's common shares on the date of the grant to directors, officers, employees and consultants to the Corporation. The option period for options granted under the Plan is for a maximum period of 10 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Corporation at the price specified within the terms of the option.

The number of common shares reserved for issuance under the Plan is a rolling 10% of the issued and outstanding common shares. Stock option issuances are recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest that have not yet been forfeited. Stock compensation expense adjustments for anticipated forfeitures have been determined to be immaterial.

During fiscal period ending 2016, the fair value of the options granted based on the Black Scholes option-pricing model was calculated using the following assumptions:

Period ended	December 31, 2016
Number of incentive stock options	1,450,000
Exercise price	\$ 0.60
Expected life	8.0 years
Weighted average risk-free interest rate	0.50%
Weighted average expected volatility	53.3%
Dividend yield	0.0%
Fair value	\$0.31660 - 0.33039

The following table reconciles outstanding and exercisable stock options as at December 31, 2016, May 31, 2016 and 2015:

	Number	Weighted Average Exercise Price
Balance, June 1, 2015	256,232	\$ 10.13
Forfeited	(111,689)	11.51
	<hr/>	
Balance, May 31, 2016	144,543	\$ 9.21
Granted	1,450,000	0.60
Cancelled	(127,686)	7.51
	<hr/>	
Balance, December 31, 2016	<u>1,466,857</u>	<u>\$ 0.63</u>

Upon the cancelling of incentive stock option the cumulative amount previously expensed is transferred from contributed surplus - incentive stock options to contributed surplus - general.

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**11. Contributed Surplus – continued**

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at December 31, 2016.

Exercise Price	Options Outstanding	Expiry Date	Outstanding		Exercisable		
			Weighted Average Remaining Life	Weighted Average Price	Quantity	Weighted Average Price	
\$ 6.125	2,857	April 22, 2019	2.3 years	\$ 6.125	2,143	\$ 6.125	
6.125	14,000	February 2, 2020	3.1 years	6.125	9,214	6.125	
0.600	1,250,000	October 20, 2024	7.8 years	0.60	Nil	0.600	
0.600	200,000	November 2, 2024	7.8 years	0.60	Nil	0.600	

b) Warrants

The following is a summary of outstanding warrants as at December 31, 2016, May 31, 2016 and 2015:

	Number of Warrants	Amount	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Outstanding, May 31, 2015	690,881	\$ 1,595,472	\$ 11.77	1.35
Outstanding, May 31, 2016	228,571	1,093,939	8.68	1.25
Outstanding, December 31, 2016	23,263,901	4,082,570	0.62	2.05

During the period ending December 31, 2016, 50,000 (May 31, 2016 – 462,310) warrants expired with exercise prices \$18.55 (May 31, 2016 - \$5.48 to \$15). Accordingly, the fair value associated with these warrants of \$578,007 was reallocated from contributed surplus - warrants to contributed surplus - general.

**12. Expenses by nature**

	December 31, 2016	May 31, 2016
Professional services	\$ 172,425	—
Premises related	697	—
Public and investor relations	354	—
Regulatory reporting	36,435	—
	<u>\$ 209,911</u>	<u>\$ —</u>

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**13. Income taxes**

i) The Company's income tax rate differs from the statutory rate of approximately 26.5% (2016 & 2015 – 26.5%) as follows:

For the period ended	December 31, 2016	May 31, 2016
Pre-tax income (loss) for the period before income taxes	\$ (5,712,806)	\$ 3,988,075
Pre-tax loss from discontinued operations	5,255,990	1,615,288
Pre-tax loss (gain) from sale of discontinued operations	268,199	(5,603,363)
Pre-tax loss from continuing operations	(188,617)	—
Expected income tax benefit (expense) based on statutory rate	(50,000)	—
Stock-based compensation expense	62,000	28,000
Other non-deductible expenses	(33,000)	(837,000)
Foreign tax rate differential	—	(4,000)
Other	—	(738,000)
Adjustment in respect of prior periods	—	(608,000)
Capital loss carried forward	—	—
Income tax (recovery) expense	\$ (21,000)	\$ (2,159,000)
Valuation Allowance	21,000	2,017,000
Income tax (recovery) expense included in discontinued operations	\$ —	\$ (142,000)

ii) As at December 31, 2016, the Corporation had accumulated income tax losses for federal and provincial income tax purposes of approximately \$12,542,000 (May 31, 2016 – \$12,582,000). These loss carry-forward may be used to offset future years' federal and provincial taxable income and commence expiring in 2031.

In addition, the Corporation has approximately \$40,000 in capital losses that can be carried forward indefinitely.

iii) Scientific Research and Experimental Development Expenses and Tax Credits

The Corporation also had approximately \$3,470,000 (May 31, 2016 - \$3,470,000) in unclaimed scientific research and experimental development expenses that may be used to reduce taxable income in the future.

As at December 31, 2016, the Corporation also had approximately \$1,750,000 (May 31, 2016 - \$1,770,000) in unclaimed investment tax credits that may be used to offset federal income taxes payable in the future.

The potential benefit of these expenses and investment tax credits has not been recognized in the consolidated financial statements.

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**13. Income taxes – continued**

iv) Deferred Income Tax Assets

The Corporation has not recognized net deferred income tax assets as at December 31, 2016 of approximately \$9,768,000 (May 31, 2016 - \$9,169,000) relating primarily to loss carry-forwards, unclaimed scientific research and experimental development expenses and other temporary differences. In assessing the ability to realize deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. No deferred income tax asset has been recognized in respect of these non-capital losses and other temporary differences, as the Company is reflecting uncertainties associated with the realization of all deferred income tax assets.

**14. Transactions with related parties and payments to key management**

Related party transactions include transactions with parties related by common directors and transactions with other private entities owned or controlled by officers and directors. All transactions are provided in the normal course of business and are measured at exchange amounts agreed upon by the related parties. The following table summarizes the related party transactions occurring during the fiscal period.

As at or for the period ended	Dec. 31, 2016	May 31, 2016
Revenues		
Interest income	\$ 246,585	\$ —
Expenses		
Professional Fees	\$ 112,842	\$ —
Included with accounts payable	\$ 37,704	\$ Nil
Expenses charged to Share Capital	518,774	Nil

Payments to key management

As at or for the period ended	Dec. 31, 2016	May 31, 2016
Directors' Fees	\$ 3,250	—
Management Fees	37,340	—
Stock-based compensation	224,669	—

In addition to the above, discontinued operations includes \$5,750 (May 31, 2016 – Nil \$ Nil) in directors fees, \$363,231 (May 2016 \$617,638) during the period for management fees and Stock-based Compensation of \$9,805 (May 31, 2016 – Nil).

The key management personnel of the Corporation include the Chief Executive Officer, Chief Financial Officer and the Board of Directors.

During the period ended December 31, 2016 and May 31, 2016, no key management personnel were indebted to the Corporation, with the exception that the Corporation's loans are currently to Plazacorp Investments Limited and its affiliates, which are owned and controlled by a director.

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**15. Commitments and contingencies**

The Corporation, from time to time, may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Corporation is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Corporation.

**16. Capital management**

The Corporation manages its common shares, stock options, warrants and accumulated deficit as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, issue new debt, acquire or dispose of assets in order to adjust the amount of cash on its balance sheet.

To facilitate the management of its capital requirements, the Corporation prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry and market conditions.

The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

Management reviews its approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

**17. Financial instruments and risk management**

The Corporation's financial instruments have been classified into categories that determine their basis of measurement and for items carried at fair value, where changes in fair value are recognized in the Statement of Operations and Comprehensive Income (Loss):

<b>Financial Assets</b>	<b>December 31, 2016</b>	<b>May 31, 2016</b>	<b>May 31, 2015</b>
Cash	\$ 2,826,876	\$ 1,377,738	\$ 305,715
Receivables	57,910	1,250,837	1,678,465
Loans and mortgage investments	13,006,567	—	—
<b>Financial Liabilities</b>	<b>December 31, 2016</b>	<b>May 31, 2016</b>	<b>May 31, 2015</b>
Accounts payables	\$ 941,581	\$ 1,136,685	\$ 2,044,417
Notes payables	—	—	1,629,044

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**17. Financial instruments and risk management – continued**

***Fair value***

As at December 31, 2016, May 31, 2016 and 2015, the estimated fair values of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate their respective carrying values due to their short-term nature.

The fair value of the loans and mortgages investments approximates its carrying value as the majority of the loans are repayable in full at any time per agreement. There is no quoted price in an active market for the mortgage and loan investments. The Corporation makes its determinations of fair value based on its assessment of the current lending market for mortgage and loan investments of same or similar terms. As a result, the fair value of mortgage and loan investments is based on Level 3 of the fair value hierarchy.

The fair values of loans payable approximate their carrying values due to the fact that the majority of the loans are: (i) repayable in full, at any time, upon the repayment of the underlying loan that secures the loan payable, and (ii) the interest rates at market value.

***Credit risk***

Credit risk is the possibility that a borrower under one of the loans and mortgages investments, may be unable to honour their debt commitment as a result of a negative change in the borrowers' financial position or market conditions that could result in a loss to the Corporation.

Any instability in the real estate sector or an adverse change in economic conditions in Canada could result in declines in the value of real property securing the Corporation's investments. There have been significant increases in real estate values in various sectors of the Canadian market over the past few years. A correction or revaluation of real estate in such sectors will result in a reduction in values of the real estate securing mortgage loans that comprise the Corporation's investment portfolio. This could result in impairments in the mortgage loans or loan losses in the event the real estate security has to be realized upon by the lender. The Corporation's maximum exposure to credit risk is represented by the fair values of amounts receivable and the investment portfolio.

For the period ended December 31, 2016, the Corporation's largest borrower accounted for 100% of revenues of continuing operations.

The Corporation's exposure to credit risk for its loans and mortgage portfolio by geographic area is limited to Toronto, Ontario.

The Corporation also has credit risk relating to cash and cash equivalents, which it manages by dealing with large Canadian chartered banks. The Corporation's maximum exposure to credit from banks is \$2,826,876 (May 2016 - \$1,377,738, May 2015 - \$305,715). As at December 31, 2016, 100% (May 31, 2016 – 86%, May 31, 2015 – 28.7%) of cash and cash equivalents were held in Canadian chartered banks.

***Interest rate risk on income and expense***

Interest rate risk is the risk that fair value of future cash flows of financial assets or financial liabilities will fluctuate because of changes in the market interest rates.

The Corporation's current loan portfolio is not subject to interest rate fluctuations, nor are its current liabilities. There is however, the risk of not being able to reinvest its capital at the same or greater rates due to the fluctuation of interest rates. In addition, as the Corporation expands its operations the loans which it may make may incorporate variable interest rates that shall fluctuate with the market.

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**17. Financial instruments and risk management – continued**

Currently, if there is a shift in interest rates of 10% were to occur, the impact on cash and the related loss for the year would not be deemed material, as the impact on its revenues would be approximately \$13,000.

*Liquidity risk*

Liquidity risk is the risk the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation's objective for liquidity risk management is to maintain sufficient liquid financial resources to fund operations and to meet commitments and obligations in the most cost-effective manner possible. The Corporation achieves this by maintaining sufficient cash and cash equivalents and managing working capital. The Corporation monitors its financial resources on a regular basis, and updates its expected use of cash resources based on the latest available data.

The Corporation's financial liabilities, classified as current, primarily consist of trade payables and accrued liabilities. Current liabilities were \$941,581 (May 31, 2016 - \$1,220,087, May 31, 2015 - \$4,169,881) with all of it having expected settlement dates within one year or where conditions exist that could result in accelerated payment.

**18. Discontinued Operations**

On June 16, 2015, the Corporation sold its cross-platform portability technology to NVIDIA for an aggregate purchase price of US\$3.75 million, satisfied by payment of US\$3.375 million on the date of closing and US\$0.375 million ("**Holdback Funds**") paid on June 15, 2016. The assets included the technology that formed the Corporation's Graphics and Portability Group, which included Cider, its core-enabler or translation and related technologies, along with associated customer relationships.

On April 20, 2016, the Corporation also signed an agreement with a third party for the full assignment of all rights, title and interest in the Corporation's SwiftShader technology, including TransGaming patents, licensed know-how and licensed intellectual property for total consideration of US\$1.25 million.

On November 1, 2016, the Corporation divested itself of remaining software and game related active business for US\$225,000, where such amount was to be settled with an immediate payment of US\$50,000 and 21% of future sales. Of the US\$50,000, US\$30,000 was collected prior to December 31, 2016 and the balance was received in February and April 2017.

For the period ended	December 31, 2016	May 31, 2016
Revenues	\$ 776,347	\$ 2,898,768
Cost of Sales	133,594	604,205
Gross Profit	<u>642,753</u>	<u>2,294,563</u>
Operating expenses	1,258,172	5,906,659
Foreign currency exchange gain (loss)	4,640,571	(1,488,350)
	<u>(5,255,990)</u>	<u>(1,615,288)</u>
Gain (loss) on sale of assets	(268,199)	6,111,821
Net income (loss) from discontinued operations	<u>\$ (5,524,189)</u>	<u>\$ 3,988,075</u>

As at December 31, 2016, there remained a receivable of \$168,997.

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**18. Discontinued Operations – continued**

The impact of the discontinued operations on the cash flows is as follows:

For the period ended	December 31, 2016	May 31, 2016
Cash used by discontinued operations	\$ (182,044)	\$ (3,285,789)
Cash used by discontinued financing activities	—	(1,806,528)
Cash provided by discontinued investing activities	302,285	6,151,201

The following is a Summary of Significant Accounting Policies relating to discontinued operations that are no longer relevant to the current business of the Corporation.

**Revenue recognition**

*General*

The Corporation's discontinued operation's revenues were derived from the sale, development and licensing of platform enablement technology and the related provision of post-contract customer support (PCS) in addition to the sale of graphics rendering technology, and the provision of professional services for video game development (stand-alone services), the sale of online video games, and online subscription services.

*Licensing*

The Corporation's sale of Cider licences, its video game enablement technology, which often includes the rendering of professional services to enable the gaming content, was accounted for as service revenue. Revenue was recognized on the licensing and professional services together by reference to the stage of completion of the transaction at the end of the reporting period when the outcome of a transaction involving the rendering of services can be estimated reliably. The outcome of a transaction could be estimated reliably when the amount of revenue can be measured reliably, it was probable that the economic benefits associated with the transaction would flow to the entity, the stage of completion of the transaction at the end of the reporting period would be measured reliably, and the costs incurred for the transaction and the costs to complete the transaction could be measured reliably. Revenue on a given contract was recognized proportionately with its percentage of completion. The stage of completion was measured based on direct expenses incurred as a percentage of the total direct expenses to be incurred.

If the professional services associated with the license was not deemed essential to the functionality of the licenced software, revenue from licensed software was accounted for as a sale of goods. The Corporation recognized revenue on sales of goods when the entity had transferred to the buyer the significant risks and rewards of ownership of the goods, if the entity retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue was able to be measured reliably, and it was probable that the economic benefits associated with the transaction would flow to the entity and the costs incurred or to be incurred would in respect of the transaction would be measured reliably. These criteria were generally met at the earlier of delivery or the inception of the licence term (if term based).

The sale of SwiftShader technology was recognized over the term of the licence if the term was clearly defined and if at the completion of the term, use of the licenced software ceased. Where licenced software rights cannot practicably be revoked the licence was deemed perpetual and revenue was recorded using the criteria described in the previous paragraph for sales of goods.

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**18. Discontinued Operations – continued**

The Corporation's licence sales often included multiple elements, which typically included software licences with professional services and PCS. The components in such arrangement were assessed to determine whether they could be sold separately and could be treated as a separately identifiable component for the purpose of revenue recognition. When there were separately, identifiable components in an arrangement, the arrangement consideration was allocated to the separate components on a relative fair value basis. If components were not separately identifiable, revenue recognition was deferred until all revenue recognition criteria had been met. The revenue recognition policy described above was then applied to each component.

*Professional services including PCS*

If the professional services were deemed essential to the functionality of the licenced software, licence fees, PCS and professional services revenue were recognized by reference to the stage of completion as described above.

If services were not deemed essential to the functionality of the software (or when professional services are provided on a stand-alone basis), the services revenue were then recognized as the services was delivered to the customer.

*Online and Smart TV distribution*

Revenue from the sale of online video games or those sold through managed service operators was recognized when the game was delivered to the customer. Terms of the sale ensured that the risks and rewards were transferred, that there was no ongoing control over the permitted use of a game for the duration purchased, sales amounts were defined, payment was processed at the time of purchase and related costs are measurable.

*Subscription fees*

Revenue from subscription fees was recognized on a monthly basis as services are provided.

*Unbilled and deferred revenue*

Amounts were generally billable on reaching certain performance milestones, as defined by individual contracts. Revenues in excess of contract billings were recorded as unbilled revenue. Deferred revenue resulted from advance payments of support and maintenance, payments made in advance of the delivery of enablement or distribution services, and licence revenues where the Corporation had not met the criteria for revenue recognition, as described above.

***Property and Equipment***

Property and equipment and intangible assets were recorded at cost less accumulated amortization and impairment losses to write off the cost of the assets to their residual values over their estimated useful lives. Cost included expenditures that were directly attributable to the acquisition of the asset. Subsequent costs were included in the asset's carrying value or recognized as a separate asset, as appropriate, only when it was probable that future economic benefits associated with the item would flow to the Corporation and the cost could be measured reliably. The cost and accumulated amortization of replaced assets were derecognized when replaced. Repairs and maintenance costs were charged to the consolidated statements of operations and comprehensive income (loss) during the year in which they were incurred.

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**18. Discontinued Operations – continued**

The major categories of property and equipment were amortized to operations over their estimated useful lives on the following bases:

Asset	Depreciation method and Rate
Office equipment	20% diminishing balance
Computer equipment	30% diminishing balance
Office furniture	20% diminishing balance
Leasehold improvements	Straight-line over lease term

Residual values, method of amortization, and useful lives of these assets were reviewed annually and adjusted if appropriate.

***Intangibles acquired separately***

Intangibles with finite useful lives that were acquired separately were carried at cost less accumulated amortization and accumulated impairment losses. Amortization was recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method were reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangibles with indefinite useful lives that were acquired separately were carried at cost less accumulated impairment losses.

***Internally-generated intangibles***

Expenditure on research activities was recognized as an expense in the period in which it was incurred.

An internally-generated intangible arising from development (or from the development phase of an internal project) was recognized if, and only if, all of the following had been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangibles was the sum of the expenditure incurred from the date when the intangibles first met the recognition criteria listed above. Where no internally-generated intangibles could be recognized, development expenditure was recognized in the Consolidated Statement of Operations and Comprehensive Loss in the period in which it was incurred.

Subsequent to initial recognition, internally-generated intangibles are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangibles that are acquired separately.

**Intangibles acquired in a business combination**

Intangibles acquired in a business combination and recognised separately from goodwill were initially recognised at their fair value at the acquisition date (which was regarded as their cost).

Subsequent to initial recognition, intangibles acquired in a business combination were reported at cost less accumulated amortization and/or accumulated impairment losses, on the same basis as intangibles that were acquired separately.

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**18. Discontinued Operations – continued**

*Identifiable intangible assets*

The Corporation's intangible assets had finite useful lives and were carried at cost less accumulated amortization. Intangible assets were amortized over their estimated useful lives on the following bases:

Computer software	Straight-line over four years
Contract and distribution agreements	Straight-line over four years

Costs associated with maintaining computer software programs were recognized as an expense as incurred.

***Impairment of tangible and intangible assets other than goodwill***

At the end of each reporting period, the Corporation reviewed the carrying amounts of its property and equipment and intangibles to determine whether there were any indication that those assets had suffered an impairment loss. If any such indication existed, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it was not possible to estimate the recoverable amount of an individual asset, the Corporation estimated the recoverable amount of the cash-generating unit to which the asset belonged. When a reasonable and consistent basis of allocation could be identified, corporate assets were also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis could be identified.

Intangibles with indefinite useful lives and intangibles not yet available for use were tested for impairment at least annually, and whenever there was an indication that the asset may be impaired.

Recoverable amount was the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows that had to be adjusted.

If the recoverable amount of an asset (or cash-generating unit) was estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) was reduced to its recoverable amount. An impairment loss was recognized immediately in the Statement of Operations and Comprehensive Loss.

When an impairment loss subsequently reversed, the carrying amount of the asset (or a cash-generating unit) was increased to the revised estimate of its recoverable amount, but so that the increased carrying amount did not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss was recognized immediately in the Statement of Operations and Comprehensive Loss.

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**18. Discontinued Operations – continued**

	Computer Software	Acquired Content Licenses and Distribution Agreements	Total
Year ended May 31, 2016			
Opening net carrying value	\$ 39,916	\$ 857,504	\$ 897,420
Amortization for the year	(39,916)	(857,504)	(897,420)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
As at May 31, 2016			
Cost	\$ 449,928	\$ 5,761,805	\$ 6,211,734
Accumulated amortization	(449,928)	(5,761,805)	(6,211,734)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Amortization of \$3,095 (May 31, 2016 - \$897,420) is included in the Consolidated Statement of Operations and Comprehensive Income (Loss) in discontinued operations. Intangible assets were disposed of with the sale of the former business.

***Foreign currency translation***

Items included in these consolidated financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in Canadian dollars (the “**presentation currency**”).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of assets and liabilities denominated in currencies other than an operation’s functional currency are recognized in the consolidated statements of operations and comprehensive income (loss).

The results and financial position of all the group entities (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- b) income and expenses for each consolidated statement of operations and comprehensive income (loss) are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions); and
- c) all resulting exchange differences are recognized in other comprehensive income (loss).

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**18. Discontinued Operations – continued**

***Foreign currency risk***

Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Corporation's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows by matching its foreign-denominated cash balances to the extent practical to CAD dollar obligations. The Corporation previously conducted a significant portion of its business activities in foreign countries. The financial assets and financial liabilities that are denominated in foreign currencies are affected by changes in the foreign currency exchange rates between the Canadian dollar and these foreign currencies. The Corporation recognized a foreign currency exchange gain in the period ended December 31, 2016 of \$4,640,571 (May 31, 2016 - \$1,488,350) where the primary driver was intercompany transactions which is reflected within discontinued operations and the divestiture of the foreign operations.

**19. Notes payables**

On June 16, 2015, the outstanding principal and interest, totaling \$1,817,614 at the time, was repaid in full.

**20. Earnings Per Share**

The Calculation of earnings per share

	December 31, 2016	May 31, 2016
Denominator basic and diluted earnings per share		
Weighted average number of Common shares outstanding	12,848,196	3,337,083
Dilutive effect of incentive stock options	438,923	94,771
Dilutive effect of warrants	8,811,439	228,571
Diluted weighted average Common shares	<u>22,098,558</u>	<u>3,660,425</u>

**21. Subsequent Events**

On January 30, 2017, the Corporation advance \$1,019,475 on a mortgage secured by land and the buildings on the land. This loan is with an arms-length party and is not guaranteed by Plazacorp.

On March 16, 2017, the Corporation declared a dividend of \$0.0075 per Common share to holders of record on March 31, 2017, and payable on April 13, 2017.

On March 20, 2017, the Corporation completed a loan to Plazacorp Investments Limited in the amount of \$1.3 million at an interest rate of 12% maturing March 20, 2018.