



iSIGN Media Solutions Inc.

**Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2017 and 2016
Expressed in Canadian Dollars**

iSIGN MEDIA SOLUTIONS INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2017 and 2016

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ISIGN MEDIA SOLUTIONS INC.

Notice of no auditor review of the condensed consolidated interim financial statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statement have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of iSIGN Media Solutions Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by The Canadian Institute of Chartered Accountants, for a review of interim financial statements by an entity's auditor.

September 29, 2017

iSIGN Media Solutions Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
Expressed in Canadian Dollars

As at	[Notes]	July 31, 2017	April 30, 2016
Assets			
Current assets			
Cash		\$ 21,371	\$ 5,292
Restricted cash		10,000	10,000
Accounts receivable (net of allowance of \$Nil, 2016 - \$Nil)		177,791	177,778
Other receivable		-	60,000
Sales taxes recoverable		71,761	48,283
Inventories	[4,11.vi]	1,160,917	1,162,622
Prepaid expenses and deposits		11,628	11,583
		<u>1,453,468</u>	<u>1,475,558</u>
Non-current assets			
Property and equipment	[5]	14,623	15,595
Intangible assets	[6]	351,215	409,706
		<u>365,838</u>	<u>425,301</u>
Total assets		<u>\$ 1,819,306</u>	<u>\$ 1,900,859</u>
Liabilities			
Current liabilities			
Bank Indebtedness		\$ -	\$ 24,000
Accounts payable and accrued liabilities	[11]	2,356,922	2,329,592
Advances	[11.xiii, 11.xv]	559,700	269,700
Provisions		99,400	99,400
Notes payable	[7, 11.iii]	60,000	60,000
Convertible notes payable	[8, 11iv, 11x, 11xi, 11xii, 15i]	568,000	568,000
Deferred revenue		6,236	6,236
		<u>3,650,258</u>	<u>3,356,928</u>
Non-current liabilities			
Convertible note payable	{8.i,11.iv}	360,000	360,000
Total liabilities		<u>4,010,258</u>	<u>3,716,928</u>
Shareholders' equity(deficiency)			
Share capital	[9.a]	13,389,506	13,389,506
Warrants	[9.d]	2,539,463	2,935,963
Contributed surplus	[10]	8,105,748	7,700,898
Accumulated other comprehensive loss		(2,821,738)	(2,821,738)
Deficit		(23,403,931)	(23,020,698)
Total shareholders' equity(deficiency)		<u>(2,190,952)</u>	<u>(1,816,069)</u>
Total liabilities and shareholders' equity		<u>\$ 1,819,306</u>	<u>\$ 1,900,859</u>

Going Concern [Note 2]; Commitments and Contingencies [Note 14]

Approved by the board

"A. Romanov"

Director

"B. Reilly"

Director

iSIGN Media Solutions Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity(Deficiency)
For the Three Months Ended July 31, 2017 and 2016
(Unaudited)
Expressed in Canadian Dollars

		Share Capital		Warrants				Accumulated Other Comprehensive loss	Total Shareholders' Equity (Deficiency)
	[Notes]	Number	Amount \$	Number	Amount \$	Contributed Surplus \$	Deficit \$	\$	\$
Balance at April 30, 2016		107,005,555	13,235,286	26,443,870	3,685,963	6,776,231	(20,688,330)	-	3,009,150
Transfer to contributed surplus:									
Share-based compensation	[9.c]	-	-	-	-	163,667	-	-	163,667
Net loss and comprehensive loss		-	-	-	-	-	(650,958)	-	(650,958)
Balance at July 31, 2016		107,005,555	13,235,286	26,443,870	3,685,963	6,939,898	(21,339,288)	-	2,521,859
Balance at April 30, 2017		108,390,169	13,389,506	23,443,870	2,935,963	7,700,898	(23,020,698)	(2,821,738)	(1,816,069)
Ascribed value of expired warrants	[9.d, 10]	-	-	(2,700,000)	(396,500)	396,500	-	-	-
Share-based compensation	[9.c]	-	-	-	-	8,350	-	-	8,350
Net loss		-	-	-	-	-	(383,233)	-	(383,233)
Balance at July 31, 2017		108,390,169	13,389,506	20,743,870	2,539,463	8,105,748	(23,403,931)	(2,821,738)	(2,190,952)

iSIGN Media Solutions Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three Months Ended July 31, 2017 and 2016
(Unaudited)
Expressed in Canadian Dollars

	[Notes]	2017	2016
Revenues			
Sales		\$ 3,286	\$ 13,741
Service		119	9,846
		3,405	23,587
Cost of sales		5,903	8,520
Gross Profit		(2,498)	15,067
Expenses			
Amortization - intangible assets	[6]	58,491	222,485
Depreciation – property and equipment	[5]	972	1,621
General and administration	[18]	205,262	431,253
Research and development		77,945	-
Interest		36,935	10,417
Selling and marketing	[17]	1,130	249
		380,735	666,025
Net Loss and comprehensive loss		\$ (383,233)	\$ (650,958)
 Loss per share (basic and diluted)	[12]	(0.004)	(0.006)
 Weighted average number common shares outstanding (basic and diluted)	[12]	107,998,346	103,869,838

iSIGN Media Solutions Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended July 31, 2017 and 2016
(Unaudited)
Expressed in Canadian Dollars

	[Notes]	2017	2016
Net (outflow) inflow of cash related to the following activities:			
Operating			
Net loss		\$ (383,233)	\$ (650,958)
Adjustments for non-cash items:			
Depreciation - property and equipment	[5]	972	1,621
Amortization - intangible assets	[6]	58,491	222,485
Stock-based compensation	[9.c]	8,350	163,667
		(315,420)	(263,185)
Net change in non-cash working capital	[16]	65,499	341,997
Net Cash generated by (used in) Operating Activities		\$ (249,921)	\$ 78,812
Investing			
Additions to intangible assets	[6]	-	(97,605)
Net Cash used in Investing Activities		\$ -	\$ (97,605)
Financing			
Advances	[11xiii, xv]	\$ 290,000	\$ 18,000
Repayment of advances			-
Net Cash provided by Financing Activities		\$ 290,000	\$ 18,000
Cash utilized		\$ 40,079	\$ (793)
Cash – beginning of year		(18,708)	(12,242)
Cash – end of year		\$ 21,371	\$ (13,035)
Cash position consists of:			
Cash (defined as unrestricted bank balances)		\$ 21,371	\$ 7,165
Bank indebtedness		-	(20,200)
		\$ 21,371	\$ (13,035)

iSIGN Media Solutions Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2017 and 2016

1. Description of Business

iSIGN Media Solutions Inc. ("iSIGN" or the "Company") was incorporated under the laws of Ontario on May 15, 2007. On April 8, 2008, the Company was listed on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company as defined in the Exchange's Policy 2.4, "Capital Pool Companies". On September 3, 2009, the Company completed its Qualifying Transaction, as defined in the Exchange's policy 2.4, by acquiring all of the issued and outstanding shares of iSIGN Media Corp. ("iSIGN Media"). The Corporation's head office is located at 45A West Wilmot Street, Unit 3 in Richmond Hill, Ontario, L4B 2P2.

iSIGN is a data focused Software-as-a-Service ("SaaS") company that licenses and sells its patented proximity marketing solutions that deliver rich-media, permission based messages to consumers within a scalable 300-foot radius, making the messages relevant and spontaneous. iSIGN's technology, contained within hardware units known as Smart Antennas, utilizes Bluetooth® and Wi-Fi location-aware technology to deliver messaging directly to consumers' mobile devices, free of charge to the recipient. Unlike other Proximity Marketing devices, there is no requirement for the download of an app in order to receive our messages, and therefore no requirement for the recipient to divulge any private information whatsoever. Device discovery and message statistics are secure and gathered in real-time, stored and analyzed within iSIGN's back office resulting in anonymous, preferential and predictive data. The resulting business intelligence and real-time metrics, gathered by iSIGN's patented solution, delivers insights on consumer preferences that help advertisers measure their efforts and make business decisions, thus enabling advertisers and retailers to increase their ROI and customer loyalty.

2. Going Concern

While these consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, certain adverse conditions and events cast substantial doubt upon the validity of this assumption. As at the period ended July 31, 2017, the Company has incurred significant losses since its inception in the amount of \$23,403,931 (April 30, 2016 - \$23,020,698). As at the period ended July 31, 2017, the Company reported a working capital deficiency of \$2,196,790 (April 30, 2016 - \$1,881,370).

The Company's ability to continue as a going concern will depend on management's ability to successfully execute its business plan and to raise capital through equity or debt financing until such time as the Company can support its activities through its own cash flow.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and comprehensive loss and the statement of financial position classifications used. The financial statement items most likely to be subject to adjustment would be inventories and intangible assets.

3. Basis of Preparation

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information and footnotes required by the International Financial Reporting Standards ("IFRS") as issued by the IASB for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the years ended April 30, 2017 and 2016.

These unaudited condensed interim consolidated financial statements have been prepared on a historical basis using the accrual basis of accounting except for available-for-sale financial assets. The policies applied in these condensed consolidated financial statements are based on IFRS and IFRIC policies issued and effective as of July 31,

iSIGN Media Solutions Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2017 and 2016

3. Basis of Preparation - continued

Statement of Compliance - continued

2017. The accounting policies and methods adopted are consistent with those disclosed in Note 4 to the Company's consolidated financial statements for the years ended April 30, 2017 and April 30, 2016.

These unaudited condensed consolidated interim financial statements of the Company for the three months ended July 31, 2017 and 2016, were approved and authorized for issue by the Audit Committee and the Board of Directors on September 26, 2017.

Basis of Measurement

These unaudited condensed consolidated interim financial statements have been prepared on the basis of historical costs, except for the financial instruments that are measured at fair value through profit or loss.

In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. Areas of critical accounting estimates and judgments that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are disclosed in note 3 of the Company's consolidated financial statements as at and for the years ended April 30, 2017 and April 30, 2016.

Functional and Presentation Currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Principles of Consolidation

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, iSIGN Media Corp., iSIGN Media Network Corp. and Pinpoint Commerce Inc. The Company has no interest in special purpose entities.

Subsidiaries are entities that are controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the unaudited condensed interim consolidated financial statements of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the unaudited condensed interim consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

iSIGN Media Solutions Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2017 and 2016

4. Inventories

The Company's inventories consist of purchased Smart Antennas.

	Notes	July 31, 2017	April 30, 2017
Balance beginning of year		\$ 1,162,622	\$ 1,270,239
Transferred from property and equipment		-	3,154
Transferred to cost of sales		(1,705)	(110,771)
Balance end of period		<u>\$ 1,160,917</u>	<u>\$ 1,162,622</u>

5. Property and Equipment

	Smart Antennas	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
Cost					
Balance April 30, 2016	12,433	31,080	46,358	8,733	98,604
Disposals	-	(8,481)	(4,354)	-	(12,835)
Transfer to inventory	(12,433)	-	-	-	(12,433)
Balance April 30, 2017	-	22,599	42,004	8,733	73,336
Disposals	-	-	-	-	-
Balance July 31, 2017	<u>-</u>	<u>22,599</u>	<u>42,004</u>	<u>8,733</u>	<u>73,336</u>
Accumulated amortization					
Balance April 30, 2016	8,533	13,352	40,362	5,968	68,215
Depreciation	746	1,640	1,892	1,746	6,024
Disposals	-	(3,591)	(3,628)	-	(7,219)
Transfer to inventory	(9,279)	-	-	-	(9,279)
Balance April 30, 2017	-	11,401	38,626	7,714	57,741
Depreciation	-	279	255	438	972
Disposals	-	-	-	-	-
Balance July 31, 2017	<u>-</u>	<u>11,680</u>	<u>38,881</u>	<u>8,152</u>	<u>58,713</u>
Net book value					
Balance April 30, 2017	<u>-</u>	<u>11,198</u>	<u>3,378</u>	<u>1,019</u>	<u>15,595</u>
Balance July 31, 2017	<u>-</u>	<u>10,919</u>	<u>3,123</u>	<u>581</u>	<u>14,623</u>

iSIGN Media Solutions Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2017 and 2016

6. Intangible Assets

	Internally-generated			Other		
	Technology Development Costs	Data Network Development Costs	Patents	Reacquired Rights	Deferred Share-based Payment	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance April 30, 2016	1,187,012	1,801,835	73,960	1,600,000	750,000	5,412,807
Additions	-	-	-	-	-	-
Balance April 30, 2017	1,187,012	1,801,835	73,960	1,600,000	750,000	5,412,807
Additions	-	-	-	-	-	-
Balance July 31, 2017	1,187,012	1,801,835	73,960	1,600,000	750,000	5,412,807
Accumulated amortization						
Balance April 30, 2016	129,044	-	9,647	552,727	618,750	1,310,168
Amortization	38,065	-	3,698	698,182	131,250	871,195
Balance April 30, 2017	167,109	-	13,345	1,250,909	750,000	2,181,363
Amortization	-	-	309	58,182	-	58,491
Balance July 31, 2017	167,109	-	13,654	1,309,091	750,000	2,239,854
Impairment losses, 2017	1,019,903	1,801,835	-	-	-	2,821,738
Net book value						
Balance April 30, 2017	-	-	60,615	349,091	-	409,706
Balance July 31, 2017	-	-	60,306	290,909	-	351,215
Remaining amortization period (in months)			128 to 221	3		

Due to the uncertainty surrounding the nature, extent and timing of future cash flows from the Company's technologies, the Company recorded a valuation allowance at April 30, 2017 to bring the carrying value of its Technology and Data Network Development costs to nil. This valuation allowance can be adjusted in future periods as the Company's cash flows support such an adjustment.

7. Notes Payable

On March 13, 2015, the Company entered into a secured \$100,000 note with Korona Group Ltd., at an interest rate of 8% compounded monthly, due and payable July 30, 2015. On June 29, 2015, the Company repaid \$40,000 against the outstanding \$100,000. The Company and the note holder have agreed to further extend the due date of the remaining \$60,000 to December 31, 2017 at 8% interest compounded monthly (Note 11.iii).

iSIGN Media Solutions Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2017 and 2016

8. Convertible Notes Payable

- i) On May 7, 2015, the Company entered into a secured convertible promissory note in the amount of \$360,000 due May 7, 2016 and bearing an interest rate of 10% per annum to 1454602 Ontario Inc., a company controlled by two shareholders both of whom are considered to be insiders of the Company, due to ownership in excess of 10% of the common shares of the Company (Note 11.iv).

On May 7, 2016, the \$360,000 note was replaced with a new convertible promissory note for the same amount and interest rate, due May 7, 2019, with conversion into common shares of the Company at \$0.11 per share, with a warrant exercisable at \$0.17 per share for a period of two years (Note 11.iv).

- ii) On September 22, 2016, the Company entered into two secured convertible promissory notes in the total amount of \$204,000 due September 22, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. Both notes are convertible into common shares of the Company at \$0.095, with a warrant exercisable at \$0.15 per share for a period of two years. (Note 11.x).
- iii) On October 13, 2016, the Company entered into two secured convertible promissory notes in the total amount of \$139,000 due October 13, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The other note holder, Unicare Inc., is a company partially controlled by a shareholder, who is considered to be an insider of the Company due to undiluted ownership in excess of 10% of the common shares of the Company. Both notes are convertible into common shares of the Company at \$0.10, with a warrant exercisable at \$0.15 per share for a period of two years. (Note 11.xi).
- iv) On October 24, 2016, the Company entered into three secured convertible promissory notes in the total amount of \$225,000 due October 24, 2017 and bearing an interest rate of 10% per annum, due upon maturity. One of the note holders, Cancore Enterprise, is a company controlled by a shareholder, who is considered to be an insider of the Company due to diluted ownership in excess of 10% of the common shares of the Company. These notes are convertible into common shares of the Company at \$0.12, with a warrant exercisable at \$0.18 per share for a period of two years. (Note 11.xii).

iSIGN Media Solutions Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2017 and 2016

9. Share Capital

a. Common Shares

Common shares issued

	[Notes]	Number	Amount
Balance April 30, 2016		107,005,555	\$ 13,235,286
Issuance exchange for debt	9.a.(i)	584,614	76,000
Issuance in exchange for debt	9.a.(ii)	800,000	80,000
Cost of share issuances			(1,780)
Balance April 30, 2017		108,390,169	\$ 13,389,506
		-	-
Balance July 31, 2017		108,390,169	\$ 13,389,506

- i. During August 2016, the Company completed shares for debt transactions with its Vice President, Sales and Operations and with 1454602 Ontario Inc., a company controlled by two shareholders, both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the Company, by issuing 307,692 and 276,922 shares respectively, at a price of \$0.13 per share less the costs of issuance of \$880, in payment for fees and expenses of \$40,000 and \$36,000 in payment of interest on a convertible note respectively (Note 11.viii, 11.ix).
- ii. During January 2017, the Company completed a shares for debt transaction with its Directors, by issuing 800,000 shares, at a price of \$0.10 per share in exchange as payment of directors' fees totaling \$80,000, less the cost of issuance of \$900 (Note 11.xiv).

b. Compensation Based Options

On September 19, 2016, the shareholders of the Company ratified a Stock Option Plan (the "Plan") which is administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding common shares. The Plan is a rolling plan such that the number of shares reserved for issuance will increase as the Company's issued and outstanding common shares increases. Options granted under the Plan are exercisable for a period up to five years, as determined by the Board, from the date of the grant. The exercise price of the options shall be determined by the Board at the time of the grant, but shall not be less than the Discounted Market Price as set by the TSX Venture Exchange Policy 1.1 as amended from time to time. The options are subject to several vesting periods as outlined in the Plan.

The granting of options is subject to the following conditions: (a) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders; (b) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders or issued to insiders within any one year period; (c) not more than 5% of the issued and outstanding common shares may be granted to any one individual in a one year period; (d) not more than 2% of the issued and outstanding common shares may be granted to any one consultant in any one year period; and (e) not more than an aggregate 2% of the issued and outstanding common shares may be granted to an employee conducting investor relations activities in any one year period.

iSIGN Media Solutions Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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9. Share Capital - continued

c. Stock Options

A summary of the stock options outstanding and exercisable under the plan as of July 31, 2017 and April 30, 2016 and changes during the periods are as follows:

[Notes]	Options	Weighted Price
Options outstanding at April 30, 2016	8,706,667	\$ 0.23
Granted	100,000	0.17
Cancelled	(3,140,000)	0.26
Options outstanding at April 30, 2017	5,666,667	\$ 0.21
Cancelled	(1,491,667)	0.16
Options outstanding at July 31, 2017	4,175,000	\$ 0.21

	Options	Weighted Price
Options exercisable at April 30, 2016	7,473,334	\$ 0.23
Vested	1,091,667	0.26
Cancelled	(3,140,000)	0.26
Options exercisable at April 30, 2017	5,425,001	\$ 0.22
Vested	33,334	0.17
Cancelled	(1,366,667)	0.17
Options exercisable at July 31, 2017	4,091,668	\$ 0.24

The following table summarizes additional disclosures on the stock options outstanding at July 31, 2017:

Exercise Price	Options Outstanding		Options Exercisable		Fair Value at Time of Issue Not yet Expired	Expensed to 31-Jul-17	Not Expensed at 31-Jul-17
	Number Outstanding	Remaining Average Life (Mths)	Number Outstanding	Remaining Average Life (Mths)			
\$ 0.205	500,000	11.5	500,000	11.5	\$ 102,000	\$ 102,000	\$ -
0.200	1,575,000	16.5	1,575,000	16.5	289,800	289,800	-
0.260	750,000	20.0	750,000	20.0	190,500	190,500	-
0.260	1,250,000	34.5	1,200,000	34.5	208,750	208,750	-
0.165	100,000	48.0	66,668	48.0	6,400	2,133	4,267
	4,175,000		4,091,668		\$ 797,450	\$ 793,183	\$ 4,267

iSIGN Media Solutions Inc.
Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2017 and 2016

9. Share Capital - continued

c. Stock Options – continued

During the three months ended July 31, 2017, the Company recognized \$8,350 (July 31, 2016 - \$163,667) in stock-based compensation expense to directors, employees and consultants under general and administrative expenses. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 1.49% (July 31, 2016 - 0.54%); expected dividend yield of \$Nil (July 31, 2016 - \$Nil); estimated volatility of 106.4% (July 31, 2016 - 168.0%) and an expected option life of two and a half years (July 31, 2016 - two and a half years).

d. Warrants

	[Notes]	Warrants	
		Number	Amount
Balance April 30, 2016		26,443,870	\$ 3,685,963
Expiry of warrants	9.d.(i)	(3,000,000)	(750,000)
Balance April 30, 2017		23,443,870	\$ 2,935,963
Expiry of warrants	9.d.(ii)	(2,700,000)	(396,500)
Balance July 31, 2017		20,743,870	\$ 2,539,463

- i. During the year ended April 30, 2017, 3,000,000 warrants valued at \$750,000 expired without being exercised and were transferred to contributed surplus.
- ii. During the three months ended July 31, 2017, 2,700,000 warrants valued at \$396,500 expired without being exercised and were transferred to contributed surplus.

The following tables summarize information about stock warrants outstanding at July 31, 2017:

Issued	Number	Weighted Average Exercise Price		Expiry Date
07-Nov-13	9,499,999	\$	0.45	07-Nov-17
11-Nov-14	9,566,094		0.24	11-Nov-18
11-May-15	677,777		0.27	11-May-18
08-Oct-15	1,000,000		0.225	08-Oct-17
	20,743,870	\$	0.34	

Summary:

Number of Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (months)	
9,499,999	\$ 0.45		3.0
9,566,094	0.24		15.5
677,777	0.27		9.5
1,000,000	0.225		2.0
20,743,870	\$ 0.34		

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10. Contributed Surplus

Contributed surplus resulted from the following:

	[Notes]	Amount
Balance at April 30, 2016		\$ 6,776,231
Amounts resulting from share-based compensation		174,667
Ascribed value of expired warrants	9.d.(i)	750,000
Balance at April 30, 2017		\$ 7,700,898
Amounts resulting from share-based compensation	9.c.	8,350
Ascribed value of expired warrants	9.d.(ii)	396,500
Balance at July 31, 2017		\$ 8,105,748

11. Related Party Transactions and Balances

All related party transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by both parties. In the normal course of operations, the Company:

- i. Recorded the fees of the Vice President, Sales and Operations to a company owned by him. During the three months ended July 31, 2017, the Company expensed fees totaling \$30,000 (July 31, 2016 - \$45,000) and fixed allowance of \$4,440 (July 31, 2016 - \$4,440). During the three months ended July 31, 2017, \$Nil (July 31, 2016 - \$12,360) of these fees and expenses were capitalized to Data Network Development Costs. The amount outstanding in trade accounts payable at July 31, 2017 was \$232,640 (July 31, 2016 - \$282,265). In the event of termination of this agreement for any reason other than just cause, a penalty of \$180,000 would be owed. In addition, during the three months ended July 31, 2017 the Company accrued a salary directly to the Vice President, Sales and Operations for his services in connection with its US operations based out of the Company's office in Florida USA of \$Nil (July 31, 2016 - \$23,112 Cdn.). At July 31, 2017, \$252,495 Cdn. (July 31, 2016 - \$210,561 Cdn.) is unpaid and included in accounts payable and accrued liabilities.
- ii. Recorded the fees of the Chief Financial Officer to a company controlled by him. During the three months ended July 31, 2017, the Company expensed fees totaling \$9,000 (July 31, 2016 - \$9,000). The amount outstanding in trade accounts payable at July 31, 2017 was \$88,140 (July 31, 2016 - \$64,410).
- iii. On March 13, 2015, the Company entered into a secured \$100,000 note with Korona Group Ltd., a company controlled by the Company's Chief Executive Office and a insider, at an interest rate of 8% compounded monthly, due and payable July 30, 2015. On June 15, 2015, the Company repaid \$40,000 to the note holder. The Company and the note holder agreed to extend the \$60,000 Note to December 31, 2017. Total interest expense on the Note for the three months ended July 31, 2017 amounted to \$1,465 (July 31, 2016 - \$1,352) and the accrued interest payable included in accounts payable at July 31, 2017 was \$13,632 (July 31, 2016 - \$7,990) (Note 7).
- iv. On May 7, 2015, the Company issued a secured convertible promissory note in the amount of \$360,000, due May 7, 2016 and bearing an interest rate of 10% to 1454602 Ontario Inc., a company controlled by two shareholders both of whom are considered to be insiders of the Company due to ownership in excess of 10% of the common shares of the Company (Note 8i).

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11. Related Party Transactions and Balances – continued

Effective May 7, 2016, this note was replaced with a new convertible promissory note for the same amount and interest rate, due May 7, 2019. Total interest expense for the three months ended July 31, 2017 amounted to \$9,074 (July 31, 2016 - \$9,074) and the accrued interest payable included in accounts payable at July 31, 2017 was \$44,482 (July 31, 2016 - \$44,482) (Note 8i).

- v. During the three months ended July 31, 2017, recorded directors' fees of \$18,000 (July 31, 2016 - \$22,000). Included in accounts payable and accrued liabilities are unpaid directors' fees at July 31, 2017 of \$148,592 (July 31, 2016 - \$154,900).
- vi. Contracted with QDAC Inc., a company under the significant influence of the Company's Chief Executive Officer and an insider of the Company, to undertake the manufacture of the Company's hardware. The amount outstanding in trade accounts payable at July 31, 2017 was \$641,953 (July 31, 2016 - \$568,261). Included in trade accounts payable at July 31, 2017 are late payment fees of \$246,100 (July 31, 2016 - \$141,521), of which late payments charges of \$28,303 (July 31, 2016 - \$23,391) are recorded in Office costs under General and Administration.
- vii. Incurred share-based compensation relating to stock options granted to the Directors, based upon the vesting of stock options granted. During the three-month period ended July 31, 2017, the Company expensed non-cash costs of \$Nil (July 31, 2016 - \$104,375).
- viii. On August 2, 2016, the Company completed a shares for debt transaction of \$40,000 with its Vice President, Sales and Operations, by issuing 307,692 common shares at a price of \$0.13 per share (Note 9.a.i) in payment of fees and expenses.
- ix. On August 5, 2016, the Company completed a shares for debt transaction for payment of the \$36,000 in interest owing on a convertible note (Note 18.iv) by issuing 276,922 common shares at a price of \$0.13 per share to 1454602 Ontario Inc., a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company (Note 9.a.i).
- x. On September 22, 2016, the Company entered into a \$79,000 secured convertible promissory note, with 1454602 Ontario Inc., a company controlled by two shareholders, both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The note, due September 27, 2017, bears an interest rate of 10%, is convertible at \$0.095 per share, with a warrant priced at \$0.15 exercisable for a period of two years from date of conversion. Total interest expense on the Note for the three months ended July 31, 2017 amounted to \$1,991 (July 31, 2016 - \$Nil) and the accrued interest payable included in accounts payable at July 31, 2017 was \$7,346 (July 31, 2016 - \$Nil) (Note 8.ii).
- xi. On October 13, 2016, the Company entered into 2 secured convertible promissory notes, totaling \$139,000 due October 13, 2017 bearing an interest rate of 10%, convertible at \$0.10 per share, with a warrant priced at \$0.15 exercisable for a period of two years from date of conversion. One of the note holders, 1454602 Ontario Inc., is a company controlled by two shareholders both of whom are considered to be insiders of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The other note holder, Unicare Inc., is a company partially controlled by a shareholder, who is considered to be an insider of the Company due to undiluted ownership in excess of 10% of the common shares of the Company. Total interest expense on these Notes for the three months ended July 31, 2017 amounted to \$3,504 (July 31, 2016 - \$Nil) and the accrued interest payable included in accounts payable at July 31, 2017 was \$11,026 (July 31, 2016 - \$Nil) (Note 8.iii).

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11. Related Party Transactions and Balances

- xii. On October 24, 2016, the Company entered into a \$75,000 secured convertible promissory with Cancore Enterprise, a company controlled by a shareholder, who is considered to be an insider of the Company due to diluted ownership in excess of 10% of the common shares of the Company. The note due October 31, 2017, bears an interest rate of 10% per annum, is convertible at \$0.12 per share, with a warrant priced at \$0.18 exercisable for a period of two years from date of conversion. Total interest expense on the Note for the three months ended July 31, 2017 amounted to \$1,890 (July 31, 2016 - \$Nil) and the accrued interest payable included in accounts payable at July 31, 2017 was \$1,948 (July 31, 2016 - \$Nil) (Note 8.iv).
- xiii. During the year ended April 30, 2016, non-interest bearing advances with no terms of repayment were entered into. Included in these advances were funds totaling \$40,000 from a shareholder and the Company's Vice President, Sales and Operation. The amount outstanding at July 31, 2017 is \$71,000 (July 31, 2016 - \$111,000).
- xiv. On January 25, 2017, the Company completed a shares for debt transaction of \$80,000 by issuing 800,000 common shares at a price of \$0.10 to Directors of the Company in payment of Directors' fees totaling \$80,000 (Note 9.a.ii).
- xv. During the period of February to July 31, 2017, the Company received advances of \$488,700 from Korona Group Ltd., a company controlled by the Company's Chief Executive Officer and an insider. Included in trade accounts payable at July 31, 2017 is interest totaling \$12,467 (July 31, 2016 - \$Nil), of which interest expensed during the three months ended July 31, 2017 was \$8,983 (July 31, 2016 - \$Nil) (Note 15.i).
- xvi. Compensation of key management personnel and board of directors:

	July 31, 2017	July 31, 2016
Wages and directors' fees	\$ 57,000	\$ 99,127
Benefits	4,440	4,440
Share based compensation (non-cash)	-	104,375
	\$ 61,440	\$ 207,942

12. Loss per Share

Basic loss per share is calculated on the basis of the weighted average number of common shares outstanding for the period, which, for the three-month period ended July 31, 2017, amounted to 107,998,346 (July 31, 2016 – 103,869,838). For the periods presented, all stock options, convertible shares and warrants are anti-dilutive, therefore diluted loss per share is equal to the basic loss per share.

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12. Loss per Share - continued

The following instruments have been excluded from the diluted earnings per share as these instruments are anti-dilutive:

	July 31, 2017	July 31, 2016
Issued stock options	4,175,000	8,356,667
Issued warrants	20,743,870	26,443,870
Convertible notes – potential share issuance	8,685,095	3,272,727
Convertible notes – potential warrant issuance	8,685,095	3,272,727
	<u>42,289,060</u>	<u>41,345,991</u>

13. Financial Instruments and Risk Management

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. When the independent prices are not available, fair values are determined using valuation techniques that refer to observable market data.

These techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Fair value

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments:

- i. The carrying amounts of cash, restricted cash, accounts receivable, other receivables, bank indebtedness, accounts payable and accrued liabilities, note payable, convertible note payable and advances approximate fair value due to the short-term maturity of these financial instruments.
- ii. Cash and restricted cash have been valued using a level 1 fair value hierarchy. The Company's other financial instruments are level 2 in the fair value hierarchy.

Credit risk

Credit risk is the risk of financial loss associated with the counterparty's inability to fulfill its payment obligations in accordance with the terms and conditions of its contract with the Company. Credit risk arises from cash and deposits with banks as well as credit exposure to outstanding receivables.

The Company's credit risk arises primarily from the Company's trade receivable. The carrying amount of financial assets represents the maximum credit exposure to the Company. The Company's exposure to trade credit risk as at July 31, 2017 was \$177,791 (April 30, 2017 - \$177,778) net of allowances.

The Company may also have credit risk relating to cash and restricted cash, of \$21,371 and \$10,000 (April 30, 2017 - \$5,292 and \$10,000), respectively, which it manages by dealing with highly rated financial institutions.

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13. Financial Instruments and Risk Management – continued

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting its obligations that are associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial obligations when they fall due, from its funding sources, such as equity and debt issuances. The Company continues to actively pursue new equity financing to ensure that it will have funds available to meet liabilities when they fall due.

The following table represents the Company's financial liabilities identified by type and future contractual dates of payment:

	Total	Under 1 Year	1 – 3 Years	After 3 Years
Accounts payable and accrued liabilities	\$ 2,356,922	\$ 2,356,922	\$ -	\$ -
Advances	559,700	559,700	-	-
Notes payable	60,000	60,000	-	-
Convertible notes payable	928,000	568,000	360,000	-
			\$	
	\$ 3,904,622	\$ 3,544,622	360,000	\$ -

14. Commitments and Contingencies

Rental and operating leases

The Company currently has lease arrangements for the rental of its office in Richmond Hill, Ontario, Canada. The minimum annual lease payments under annual rental and operating leases exclusive of operating costs are as follows:

	Amount
Fiscal 2018	\$ 23,231
Fiscal 2019	31,461
Fiscal 2020	32,127
Fiscal 2021	13,502
	\$ 100,321

Technology development

During March 2017, the Company committed \$124,000 to the development of its Security Alert Messaging ("SAM") solution development. At July 31, 2017, \$21,555 remains as committed. The development of SAM was completed during August 2017.

14. Commitments and Contingencies - continued

Contingencies and provisions

From time to time, the Company enters into software licensing agreements with a client/business partners whereby the Company has agreed to indemnify the counterparties for liabilities that may arise during the terms of the agreements. The maximum amount of any potential future payment cannot be reasonably estimated and it is not practicable to estimate the financial effects on its consolidated financial statements.

In the ordinary course of business, the Company and its subsidiaries are involved in legal claims and counter claims, as defendants or plaintiffs. The Company has evaluated its legal actions and has estimated potential settlements and legal costs based on the current information and have accrued a provision based on management's estimate of potential outcomes. It is management's opinion that any additional liability to the Company that may arise from these matters will not have a material effect upon the operating results, financial position or cash flows of the Company.

In the ordinary course of business, the Company estimates provisions for future obligations to remove equipment that has no scheduled date of removal.

15. Subsequent Events

- i. On August 24, 2017, the TSX Venture Exchange approved the Company's \$600,700 promissory note with Korona Group Ltd., a company controlled by the Company's current Chief Executive Officer and significant insider, of which \$488,700 was received as of July 31, 2017 and is recorded in Advances. The note will include a 15% bonus paid in common shares of the Company, based upon the value of the note and using a share price of \$0.08.
- ii. On August 25, 2017 the TSX Venture Exchange approved the Company's shares for debt transaction to issue 1,456,966 shares at a share price of \$0.08 to pay \$116,557 owed to Directors, Officers and employees of the Company for fees and salary. Of this amount, \$92,195 is owed to Directors.
- iii. On August 18, 2017, the Company granted 250,000 stock options to the Vice President, Sales and Operations at an exercise price of \$0.15.
- iv. On September 29, 2017, the Company applied to the TSX Venture Exchange for a one-year extension of the expiry dates for 1,000,000 warrants due to expire on October 8, 2017 and 9,499,499 warrants due to expire on November 7, 2017, of which 8,866,666 are held by two Company insiders. These warrants were originally issued in conjunction with private placements that closed in October 2015 and November 2013.

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16. Net Change in Non-Cash Working Capital

	For the three months ended July 31,	
	2017	2016
Net change in non-cash working capital balances:		
Accounts receivable	\$ (13)	\$ (8,716)
Other receivables	60,000	(23)
Sales taxes recoverable	(23,478)	8,229
Inventories	1,705	7,698
Prepaid expenses and deposits	(45)	(918)
Accounts payable and accrued liabilities	27,330	335,727
	<u>\$ 65,499</u>	<u>\$ 341,997</u>

17. Selling and Marketing

	For the three months ended July 31,			
	2017		2016	
Travel, tradeshow and promotional	\$ 879	77.8%	\$ -	-
Other	251	22.2%	249	100.0%
Total - Selling and marketing	<u>\$ 1,130</u>	<u>100.0%</u>	<u>\$ 249</u>	<u>100.0%</u>

18. General and Administration

	For the three months ended July 31,			
	2017		2016	
Salaries	\$ 17,490	8.5%	\$ 12,976	3.0%
Benefits	1,626	0.8%	1,347	0.3%
Contractual services	54,718	26.6%	65,877	15.3%
Share-based compensation	8,350	4.1%	163,667	38.0%
Travel and auto	7,176	3.5%	3,689	0.9%
Office costs	43,935	21.4%	40,552	9.4%
Occupancy and operating costs	18,198	8.9%	13,596	3.1%
Professional	29,805	14.5%	39,321	9.1%
Consulting	6,000	2.9%	8,000	1.8%
Directors' fees	18,000	8.8%	22,000	5.1%
Other loss/(income)	(36)	-%	60,228	14.0%
Total - General and administration	<u>\$ 205,262</u>	<u>100.0%</u>	<u>\$ 431,253</u>	<u>100.0%</u>