

SELECTCORE LTD.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

SELECTCORE LTD.
DECEMBER 31, 2016
CONTENTS

	Page
AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Comprehensive Loss	3
Consolidated Statement of Cash Flows	4
Consolidated Statement of Changes in Deficit	5
Notes to Consolidated Financial Statements	6 - 29

Mahendra CA
Professional Corporation
217-445 Apple Creek Blvd.
Markham, ON L3R 9X7



Tel: 905-474-1110
Fax: 905-947-0165
navin@mahendracpa.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Selectcore Ltd.

I have audited the accompanying consolidated financial statements of Selectcore Ltd which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of operations and comprehensive loss, changes in deficit and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Selectcore Ltd and its subsidiaries as at December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Selectcore Ltd.'s ability to continue as a going concern.

"Mahendra CA Professional Corporation"

Mahendra CA Professional Corporation
Authorized to practise public accounting by the Chartered Professional Accountants of Ontario
Markham, Ontario
April 28, 2017

Selectcore Ltd.

Consolidated Statements of Financial Position

(Presented in Canadian Dollars)

As at December 31, 2016 and 2015

	Note	2016	Restated (note 19) 2015
ASSETS			
CURRENT			
Cash	4	\$ 2,601,224	\$ 1,275,016
Accounts receivable	16	557,662	1,466,007
Inventory		102,119	191,596
Prepaid and other assets		83,443	106,107
		3,344,448	3,038,726
LONG TERM			
Property and equipment	5	254,935	322,376
Intangibles	6	290,737	365,262
		545,672	687,638
		\$ 3,890,120	\$ 3,726,364
LIABILITIES & SHAREHOLDERS' DEFICIT			
CURRENT			
Accounts payable and accrued liabilities	13	\$ 11,183,985	\$ 11,273,732
Deferred revenue		115,082	187,826
Demand loan	7,15,16	2,467,947	3,133,190
Customer deposits		39,200	39,449
		13,806,214	14,634,197
SHAREHOLDERS' DEFICIT			
Share capital	8	12,858,501	12,858,501
Contributed and other surplus		6,338,801	6,338,801
Warrant capital	10	192,860	192,860
Proceeds received for units to be issued		54,286	54,286
Other comprehensive loss		(258,679)	(279,053)
Deficit		(29,101,863)	(30,073,228)
		(9,916,094)	(10,907,833)
		\$ 3,890,120	\$ 3,726,364

Approved by the Board

Martin C Bernholtz
Director (Signed)

Mohammad Abuleil
Director (Signed)

See accompanying notes

Selectcore Ltd.

Consolidated Statements of Operations and Comprehensive Income

(Presented in Canadian Dollars)

For the years ended December 31, 2016 and 2015

	Note	2016	Restated (note 19) 2015
REVENUE		\$ 5,806,660	\$ 9,729,798
EXPENSES		-	-
Goods and services purchased		2,125,736	6,571,934
Salaries and benefits	17	1,893,740	2,038,602
General and administrative		1,930,244	1,929,733
Foreign exchange loss (gain)		30,950	(82,585)
Amortization	5,6	196,549	215,613
		6,177,219	10,673,297
Operating loss before Interest		(370,559)	(943,499)
Interest on demand loan	16	(791,539)	(769,137)
Net loss before the following		(1,162,098)	(1,712,636)
Gain on settlement of debts	13	2,133,463	-
Net income (loss)		971,365	(1,712,636)
Exchange difference on translating foreign operations		20,374	(138,848)
Comprehensive income (loss)		991,739	(1,851,484)
Earnings (Loss) per share			
Basic and diluted	20	\$ 0.033	\$ (0.072)
Weighted Average number of shares outstanding			
Basic and diluted	20	30,037,852	23,938,448

Nature of Operations and Going concern (see Note 1)

See accompanying notes

Selectcore Ltd.

Consolidated Statements of Cash Flow

(Presented in Canadian Dollars)

For the years ended December 31, 2016 and 2015

	Note	2016	Restated (note 19) 2015
Cash provided by (used in)			
Operations			
Net income (loss)	\$	971,365	\$ (1,712,636)
Items not affecting cash			
Amortization		196,549	215,613
Interest on demand loan		791,539	604,501
Unrealized foreign exchange loss (gain)		22,205	(138,624)
		1,981,658	(1,031,146)
Net change in non-cash working capital			
Accounts receivable		908,345	(705,824)
Inventory		89,477	(23,655)
Prepaid and other assets		22,665	24,297
Accounts payable and accrued liabilities		(89,744)	684,339
Deferred revenue		(72,744)	(184,681)
Customer deposits		(249)	(2,885)
		2,839,408	(1,239,555)
Investing			
Additions of intangibles, property and equipment		(54,583)	(3,851)
		(54,583)	(3,851)
Financing			
Addition of demand loan		564,446	--
Repayment of demand loan		(2,021,228)	(30,000)
Issuance of shares		--	539,301
		(1,456,782)	509,301
Net change in cash		1,328,043	(734,105)
Effect of exchange rate changes on cash		(1,835)	(224)
Cash, beginning of year	4	1,275,016	2,009,345
Cash, end of year	4	\$ 2,601,224	\$ 1,275,016

Nature of Operations and Going concern (see Note 1)

See accompanying notes

Selectcore Ltd.

Consolidated Statement of Changes in Deficit

(Presented in Canadian Dollars)

For the year ended December 31, 2016 and 2015

	Share Capital		Contributed Surplus	Warrant Capital	Proceeds Received for Units to Be Issued	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number	Amount						
Balance, December 31, 2015	30,037,852	\$12,858,501	\$ 6,338,801	\$ 192,860	\$ 54,286	\$ (279,053)	\$(30,073,228)	\$(10,907,833)
Other comprehensive income from translation of foreign entity	--	--	--	--	--	20,374	--	20,374
Net income	--	--	--	--	--	--	971,365	971,365
As at December 31, 2016	30,037,852	\$12,858,501	\$ 6,338,801	\$ 192,860	\$ 54,286	\$ (258,679)	\$(29,101,863)	\$(9,916,094)

For the year ended December 31, 2015

Balance, December 31, 2014	187,378,547	\$12,512,060	\$ 3,708,790	\$ 2,630,011	\$ 54,286	\$(140,205)	\$(28,360,592)	\$(9,595,650)
Consolidation of shares 10 for 1	(168,640,695)	--	--	--	--	--	--	--
Issuance of shares	11,300,000	346,411	--	--	--	--	--	346,411
Issuance of warrants	--	--	--	192,860	--	--	--	192,860
Expiry of warrants	--	--	2,630,011	(2,630,011)	--	--	--	--
Other comprehensive loss from translation of foreign entity	--	--	--	--	--	(138,848)	--	(138,848)
Net loss	--	--	--	--	--	--	(1,712,636)	(1,712,636)
As at December 31, 2015	30,037,852	\$12,858,501	\$ 6,338,801	\$ 192,860	\$ 54,286	\$(279,053)	\$(30,073,228)	\$(10,907,833)

SELECTCORE LTD.

Notes to consolidated financial statements

December 31, 2016 and 2015

(Presented in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

SelectCore Ltd. (the "Company") is a leading provider of prepaid payment services and point-of-sale transaction processing solutions for the prepaid financial services and mobile markets. The address of the registered office of Company is 14 William St N, Chatham, ON, N7M 4L1. The Company's shares are listed on the TSX Venture Exchange under symbol SCG.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations. The facts and circumstances noted below cast significant doubt on the company's ability to continue as going concern.

During the year, the company incurred a net income of \$971,365 (2015- Net loss of \$1,712,636). The company had a net inflow of cash from operations of \$2,839,408 (2015- Outflow \$1,239,555). The Company has a working capital deficiency of \$ 10,461,766 (2015 deficit \$11,595,471). The working capital deficiency limits the Company's ability to fund capital expenditures and operations.

As of the year end, the Company had a collateral account shortfall which was contrary to the terms of a special agreement with a credit union whereby the Company agreed that it shall maintain in a designated special collateral account in a designated bank amount equivalent to the unspent card balances. As at December 31, 2016 the Company had a collateral account shortfall of \$3.03 million. This collateral shortfall is already included in the working capital deficiency number noted above. The Company continues to work towards an agreeable resolution with the credit union and simultaneously has been working to address the collateral shortfall.

The continuation of the Company as a going concern is dependent on raising sufficient working capital to maintain operations, reducing operating expenses, and increasing revenues and profits. Management continues to review and implement cost cutting measures including but not limited to a reduction of staff and salaries, streamlining operations, reduction of research and development costs and a reduction in capital expenditures. The Company is pursuing financing alternatives to fund its operations and continue its activities as a going concern. There is no assurance that it will be able to do so in the near future. Without enough financing the Company may be forced to cease operations. In April 2017, the Company raised \$2,000,000 through private placement of equity (note 22).

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate. These adjustments could be material.

The consolidated financial statements were authorized for issuance by the Board of Directors on April 28, 2017.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been consistently prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Interpretations issued and effective for all periods and dates reported as of April 28, 2017, the date the Board of Directors approved these financial statements.

Basis of presentation

These consolidated financial statements are prepared on the historical cost basis except for available for sale investments if any, which are measured at the fair value, with changes being recognized in other comprehensive income and financial assets classified as "fair value through profit and loss", which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for the cash flow information. Comparative figures for 2015 have been reclassified to conform to the current year's presentation.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 1382285 Ontario Limited ("SelectComm"), 2143436 Ontario Limited ("SelectCore Comm"), Local Fone Service, Inc. ("LFS"), SelectCore USA, LLC ("SelectCore US") and 2314606 Ontario Limited ("SelectCore Financial Services").

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities generally accompanying a shareholding of more than one half of the voting rights in its subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

Inter-Company transactions, balances and unrealized gains or losses between subsidiaries are eliminated in preparing the consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the reporting company using consistent accounting policies.

Functional and presentational currency

Unless otherwise noted, all amounts in the accompanying consolidated financial statements and these notes are presented in Canadian funds, which is the functional currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory comprises primarily of point of sale activated Personal Identification Number ("Pins"), representing wireless prepaid airtime, which are valued at the lower of cost and net realizable value, with cost determined on a First-in First-out basis.

The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. Reversals of previous inventory write downs are recognized in the period in which the reversals occur.

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

Property and Equipment

All property and equipment are stated at historical cost less amortization and impairment losses, if any. Property and equipment are amortized over their estimated useful lives as follows:

Terminals	-	30% declining balance basis
Electronic equipment	-	20-30% declining balance basis
Office furniture and fixtures	-	20% declining balance basis
Leasehold improvements	-	straight-line over the term of the lease

The assets' residual values, amortization methods and useful lives are reviewed and adjusted if appropriate at each reporting date.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Intangibles

Intangible assets comprise computer software. Computer software is recorded at cost and amortized on a 30% declining balance basis. Costs associated with maintaining computer software are recognized as an expense in the period incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use the software product;
- It can be demonstrated that the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the software product; and
- The expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Completed computer software costs are recognized as assets and amortized over their useful lives.

The amortization methods and estimated useful lives of intangible assets are reviewed annually.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of Long-lived Assets

The carrying amount of Company's non-current assets, which includes property and equipment and intangible assets with finite useful lives are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is charged to profit or loss whenever the carrying amount of an asset (or its cash generating unit) exceeds its recoverable amount. An asset's recoverable amount is greater of its fair value less costs to sell and its value-in-use (calculated as the present value of expected future cash flows). Impairment losses are charged to profit or loss but may be reversed (other than goodwill) if there has been a change in the estimates used to determine the recoverable amount.

Share Issuance Costs

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are charged to share capital when the related shares are issued net of any tax effects. Transaction costs of abandoned equity transactions are recognized in the statement of income and comprehensive loss.

Revenue Recognition

The Company recognizes revenue at the time persuasive evidence of an agreement exists, the price is fixed and determinable, the delivery has occurred and collectability is reasonably assured.

In addition, the Company applies the following specific revenue recognition policies:

- (a) Revenue for prepaid financial services is generated from multiple sources including transaction fees, cardholder fees and interchange fees and is recognized on the transaction date.
- (b) The Company's revenues are partly generated from delivering point of sale activated prepaid mobile top-up pins and vouchers. Sales of these pins and vouchers under third party brands, where the price to the consumer is fixed or determinable and collection is reasonably assured, are recognized at the date of sale to the customer. Sales of vouchers which allow for the purchase of Pins at a later date are recognized when the pins are delivered. Any payment for vouchers received in advance of delivery is recorded as deferred revenue.
- (c) Fees and service revenues include transaction, service and fees for processing transactions at the point of sale, including prepaid mobile top-up Pins, are included in contractual arrangements with customers and revenue is recognized accordingly.
- (d) Revenue from subscriber services, such as local lines, is recognized when the customer receives the service. Any payment received in advance of providing services is recorded as deferred revenue.
- (e) Revenue from sale of software licenses, hardware and software is recognized when the product is transferred to the customer and title and risk have passed to the customer. Revenues from installation and training relating to the sale of software licenses, hardware and software are recognized as the services are performed. Software support and maintenance revenue is recognized over the term of the maintenance agreement. Any payment received in advance of providing services is recorded as deferred revenue.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Company also enters into transactions that represent multiple-element arrangements, which may include any combination of software and services. These multiple-element arrangements are assessed to determine whether they can be sold separately in order to determine if they can be treated as more than one unit of accounting or element for the purpose of revenue recognition. When there are multiple elements and units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting or elements on a relative fair value basis, as determined by reliable objective evidence of fair value. Objective evidence of fair value is based on the price charged when the elements are sold separately, which is in accordance with the Company's standard price list. If elements cannot be sold separately, revenue recognition is deferred until all elements have been delivered.

Stock-Based Compensation

The Company applies a fair value based method of accounting for stock-based compensation.

Stock-based compensation is charged to operations as an employee or consultant expense over the vesting period and the offset is credited to contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Awards with graded vesting are valued and recognized as compensation cost based on the respective vesting tranche. The amount of compensation cost recognized is adjusted to reflect the number of awards expected to vest based on continued employment vesting conditions, such that the amount ultimately recognized as compensation cost is based on the number of awards that vest.

Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus amount is transferred to share capital.

The fair value of stock options is determined by the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the option issued. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be reliably measured, they are measured at fair value of the equity instruments issued. Otherwise, such stock-based compensation is measured at the fair value of goods or services received.

Warrants

For transactions involving the issuance of warrants, the company measures these transactions at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the company measures these transactions by reference to the fair value of the equity instruments granted. In the case of unit placements, the proceeds from the issuance of units is allocated between common shares and warrants on pro-rata basis based on relative fair values. Share issuance costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Convertible Long-Term Debt

The convertible debt if any, is comprised of two components, the debt component and the conversion feature. The debt component of the convertible debt is initially recognized at fair value and carried at amortized cost, with the residual being allocated to the conversion feature, classified as equity.

Income Taxes

(a) Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(b) Deferred income tax

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

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)
Provisions

Provisions are recognized when the Company 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 based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. Additionally, the Company performs evaluations to identify onerous contracts, where expected benefits to be derived by the company are lower than the unavoidable cost of meeting the obligation under contract and where applicable, records provisions for such contract.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on the historical warranty date and weighting of all possible outcomes against their associated probabilities.

Contingencies

(a) Contingent assets

Contingent assets are not recognized in the financial statements but they are disclosed by way of note disclosure if they are deemed probable.

(b) Contingent liabilities

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company, or a present obligation from past event where: an outflow of resources is not probable, or amount of obligation cannot be reliably measured. Contingent liabilities are not recognized, but are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of economic resources is considered remote.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary asset and liabilities not denominated in the functional currency are recognized in the statement of operations and comprehensive loss.

Assets and liabilities of subsidiaries with functional currencies other than Canadian dollars are translated to Canadian dollars at the period end rates of exchange, and their earnings and expense accounts and cash flow statement items are translated at average rates of exchange for the period. The resulting translation adjustments are included in other comprehensive loss in shareholders' deficiency.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive loss.

On disposal of part or all of the operations, the proportionate share of the related cumulative gains and losses previously recognized in the equity are included in determining the profit or loss on disposal of that operation recognized in the profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Earnings (loss) per share

Basic net income or loss per common share is calculated by dividing the net income or loss by the weighted average number of common shares outstanding during the period. Diluted net income or loss per common share is calculated by dividing the applicable net income or loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The dilutive effect of outstanding stock options and warrants on earnings per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase common shares of the Company.

Financial Instruments

Financial assets are initially recognized at fair value and classified as either financial asset at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial asset, as appropriate. The Company determines the classification of its financial assets at initial recognition. Where, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, the investment is reclassified into the available-for-sale category. All financial liabilities are initially recognized at their fair value and designated upon inception as financial liabilities measured at fair value through profit or loss or other financial liabilities.

Transaction costs associated with fair value through profit or loss financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and other financial liabilities are included in the initial carrying amount of the asset or the liability.

(a) Financial Assets and liabilities at fair value through profit or loss

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Gains and losses arising from changes in fair value are presented in the statement of operations in the period in which they arise.

The Company's cash is classified as fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost, less any impairment losses. Accounts receivable and amounts due from related parties are classified as loans and receivables.

(c) Available-for-sale financial assets

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of other categories.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Available-for-sale investments are initially measured at fair value plus transaction costs and are subsequently carried at fair value except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. When an available-for-sale investments is sold or impaired, the accumulated gains or losses are transferred from other comprehensive loss to the statement of operations.

The company's investments are classified as "available for sale" and are measured at cost as there is no active market and fair value cannot be reliably measured.

Financial liabilities

Financial liabilities classified as fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as a fair value through profit or loss financial liability.

The Company's accounts payables and accrued liabilities, and demand loans payable are classified as other financial liabilities and are measured at amortized cost.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Fair value hierarchy

Financial instruments recorded at fair value on the condensed statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

None of the Company's financial instruments is recorded at fair value on the consolidated statement of financial position except cash which is classified as Level 2. The fair values of financial instruments approximate their carrying values due to their short term to maturity or market interest rates.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease, if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases.

Operating lease charges as the lessee where the Company has the right to use of assets held under operating leases, payments made under the leases are recognized in profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company currently operates in two business segments, being the distribution of prepaid wireless airtime and the provision of prepaid card services.

Critical Judgements in Applying Accounting Policies

In the preparation of these consolidated financial statements management has made judgements, aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the financial statements.

Revenue recognition

Certain revenues earned by the Company require judgement to determine if revenue should be recorded gross as a principal or net of related costs as an agent. The Company evaluates each significant contract using various criteria to determine if revenue should be recognized on a gross basis if the Company is primary obligor to its customers and bears the risk of loss of inventory in its possession. Revenue from transactions where the Company earns a fee and does not incur inventory risk is recognized on a net basis.

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Depreciation and amortization

The Company calculates depreciation expense for the majority of its property and equipment on a declining balance basis and must estimate the useful lives of these assets accordingly. While these useful life estimates are reviewed on a regular basis and depreciation calculations are revised accordingly, actual useful lives may differ from the estimates, resulting in changes to depreciation expense. The Company calculates amortization expense for intangible assets on the declining balance basis and must estimate useful lives of these assets. As circumstances change and new information becomes available, estimated useful lives could change.

Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes to the consolidated financial statements. While management believes that these estimates and assumptions, based on management's best knowledge of current events and actions that the Company may undertake in the future, are reasonable, actual results could differ from these estimates.

Significant estimates and assumptions include those related to the valuation of investments, determination of amounts recorded as software licence revenue, valuation of share based payments, the useful lives of property and equipment for amortization purposes, amounts recorded as accrued liabilities, recognition of deferred tax assets, amount recorded as deferred revenue, allowance for doubtful accounts, and the fair values of financial assets.

These estimates have been applied in a manner consistent with that in prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain.

Future Accounting Changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

SELECTCORE LTD.

Notes to consolidated financial statements

December 31, 2016 and 2015

(Presented in Canadian Dollars)

SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

4. CASH

Cash includes restricted cash balances of \$2,564,200 (2015 - \$1,206,596) in designated special collateral accounts in designated banks representing the amounts equivalent to the unspent cards balances under the terms of the special agreements with credit union/financial institution as further explained in Note 1. Withdrawals from the accounts can only be made with the approval of the credit union/financial institution.

5. PROPERTY AND EQUIPMENT

Activity during the year ended December 31, 2016 is as follows:

Cost	Terminals	Electronic Equipment	Office Furniture & Fixtures	Leasehold Improvements	Totals
Balance January 1, 2016	\$ 954,264	\$ 792,945	\$ 185,678	\$ 57,197	\$ 1,990,084
Additions	-	527	-	-	527
Balance Dec 31, 2016	\$ 954,264	\$ 793,472	\$ 185,678	\$ 57,197	\$ 1,990,611
Accumulated Depreciation					
Balance January 1, 2016	\$ 843,506	\$ 611,217	\$ 155,788	\$ 57,197	\$ 1,667,708
Depreciation for the period	29,018	33,250	5,699	-	67,968
Balance Dec 31, 2016	\$ 872,524	\$ 644,467	\$ 161,487	\$ 57,197	\$ 1,735,676
Net Book Value	\$ 81,740	\$ 149,005	\$ 24,191	\$ -	\$ 254,935

SELECTCORE LTD.

Notes to consolidated financial statements

December 31, 2016 and 2015

(Presented in Canadian Dollars)

PROPERTY AND EQUIPMENT (Cont'd)

Activity during the year ended December 31, 2015 is as follows:

Cost	Terminals	Electronic Equipment	Office Furniture & Fixtures	Computer Software	Totals
Balance January 1, 2015	\$ 951,203	\$ 792,151	\$ 185,678	\$ 57,197	\$ 1,986,229
Additions/Reclass	3,061	794	-	-	3,855
Balance Dec 31, 2015	\$ 954,264	\$ 792,945	\$ 185,678	\$ 57,197	\$ 1,990,084
Accumulated Depreciation					
Balance January 1, 2015	\$ 803,820	\$ 570,664	\$ 148,815	\$ 57,197	\$ 1,580,496
Depreciation for the period	39,686	40,553	6,973	-	87,212
Balance Dec 31, 2015	\$ 843,506	\$ 611,217	\$ 155,788	\$ 57,197	\$ 1,667,708
Net Book Value	\$ 110,758	\$ 181,728	\$ 29,890	\$ -	\$ 322,376

6. INTANGIBLES

Cost	Computer Software	
	2016	2015
Balance January 1,	\$ 1,248,739	\$ 1,248,739
Additions	54,056	-
Balance December 31,	\$ 1,302,795	\$ 1,248,739
Accumulated Depreciation		
Balance January 1,	\$ 883,477	\$ 755,076
Amortization for the period	128,581	128,401
Balance December 31,	\$ 1,012,058	\$ 883,477
Net Book Value December 31,	\$ 290,737	\$ 365,262

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

7. Demand Loan

	2016	2015
Debt financing facility	\$ 2,525,000	\$ 2,525,000
Repayment	(2,126,728)	(105,500)
Addition	564,446	-
Interest	1,505,229	713,690
	\$ 2,467,947	\$ 3,133,190

On January 31, 2013, the Company obtained a secured loan facility in the amount of \$2,525,000. Proceeds were used to repay a previous term loan of \$2,814,628.

This loan bears an interest rate of 24% per annum, plus management and maintenance fees in the amount of 0.25% per month of the outstanding principal obligations. The maturity date of this loan is January 31, 2018. It was secured by a promissory note and a general security agreement, covering all of the assets of the Company. This promissory note was executed on February 1, 2013 and this was due on February 1, 2016. The Company incurred \$101,000 in transaction costs of which \$25,000 was paid to certain officers and directors of the company. The Company has the option to repay any or all of the outstanding principal at any time.

The Company issued to the lender 2,525,000 warrants each exercisable into one common share of the company at \$0.15 per share for a period matching the maturity of the loan. These warrants were valued at \$101,000 using the following assumptions: expected volatility of 129% (based on historical share prices), risk-free interest rate at 1.08% expected life of 2 years, dividend yield of \$Nil and a share price of \$0.08.

On April 1, 2017, the interest rate was reduced to 12% per annum.

Also see note 16.

8. SHARE CAPITAL

Authorized: Unlimited common shares

Issued and fully paid:

	2016		2015	
	Number	Amount	Number	Amount
Ordinary Shares	30,037,852	\$ 12,858,501	30,037,852	\$ 12,858,501
Total	30,037,852	\$ 12,858,501	30,037,852	\$ 12,858,501

On July 7, 2015, the company completed share consolidation on a ratio of 10 to 1 as to all of its common shares now outstanding on the date of consolidation.

On July 17, 2015, the company issued 11,300,000 common share units in a private placement at a price of \$0.05 per share for gross proceeds of \$565,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable for one common share at an exercise price of \$0.08 no later than July 17, 2017.

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

9. STOCK OPTIONS

The Board of Directors has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non transferable options to purchase shares to directors, officers and technical consultants of the Company.

Under the Plan, the aggregate number of shares to be issued upon the exercise of options granted thereunder may not exceed 10% of outstanding shares. Furthermore, the aggregate number of shares to be issued upon exercise of the options granted there under to any one director or officer shall not exceed 5% of the issued and outstanding shares and the number of shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding shares. Options shall expire no later than five years after the date of grant. Options may be exercised no later than ninety (90) days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The exercise price of options granted pursuant to the Plan shall be set by the Board of Directors and shall not be less than the applicable discount permitted by the TSX-V or such other stock market on which the shares are then traded. The options issued under the plan vest according to the provisions determined by the Board at the time of grant.

The Company has no stock options outstanding at December 31, 2016.

10. WARRANTS

The Company had the following warrants outstanding at December 31, 2016.

	Number of warrants	Weighted average exercise price	Value of warrants
Balance, January 1, 2015	70,951,838	\$0.14	\$ 2,630,011
Granted, private placements	11,300,000	0.08	192,860
Exercised	-	-	-
Expired or cancelled	70,951,838	0.14	2,630,011
Balance, December 31, 2015	11,300,000	\$0.08	\$ 192,860
Granted, private placements	-	-	-
Exercised	-	-	-
Expired or cancelled	-	-	-
Balance, December 31, 2016	11,300,000	\$0.08	\$ 192,860

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

WARRANTS (Cont'd)

Date of Expiry	Number of Warrants	Exercise Price	Grant Date Fair Value of Warrants
17-Jul-17	11,300,000	\$0.08	\$192,860

The warrants granted were valued using the Black-Scholes option pricing model with the following assumptions, quoted at their weighted averages.

	<u>2015</u>
Expected dividend yield	0.00%
Expected volatility	152%
Risk free interest rate	1.40%
Expected life	2 years

Upon expiry of the warrants, the related outstanding balance in warrant capital will be transferred to contributed surplus.

11. SEGMENT INFORMATION

The Company operates primarily in two industry segments, its distribution division, which sells prepaid wireless airtime and its Financial Services division which provides prepaid credit card services.

\$ Millions	Distribution		Financial Services		Total	
	2016	2015	2016	2015	2016	2015
Revenue	2.83	7.52	2.98	2.21	5.81	9.73
Assets	0.60	0.85	3.29	2.88	3.89	3.73
Net Profit/(Loss)	0.03	-1.35	0.94	-0.36	0.97	-1.71

\$ Millions	Canada		USA		Total	
	2016	2015	2016	2015	2016	2015
Revenue	5.81	7.31	-	2.42	5.81	9.73
Assets	3.89	3.72	-	0.01	3.89	3.73
Net Profit/(Loss)	0.97	-1.93	-	0.22	0.97	-1.71

Revenues are attributed to countries based on customer location.

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

12. COMMITMENTS

The Company has net lease commitments for premises and equipment requiring the following minimum annual payments:

Within 1 year	\$	136,405
2 to 6 years		2,965
		<hr/>
		\$ 139,370
		<hr/>

13. GAIN ON SETTLEMENT OF DEBTS

This represents the gain on debts settlement of accounts payables to vendors of the Company. In March and April, 2016, the company reached agreements with the vendors to settle the outstanding liabilities for a settlement payment of \$425,000. Upon payments of the settlement amounts in accordance with the agreements, the company will be discharged from all debts due to the vendors. Up to January 2017, the full settlement payment had been paid. As a result, the remaining accounts payable balances owing to the vendors of \$2,133,463 was recorded as gain and is included in comprehensive income for the year.

14. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, warrant reserve, contributed surplus and deficit, equity portion of long term debt, proceeds received for units to be issued, accumulated other comprehensive income and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its growth activities, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and or debt financing.

The Company's overall capital risk management strategy during the period ended December 31, 2016 and 2015 has been to expedite customer payments and reduce credit terms offered to certain customers.

15. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the accounting and finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Market Risk

(i) Currency Risk

The Company operates primarily in Canada and has a subsidiary in USA which had ceased operation. The Company has exposure to foreign exchange risk. Foreign exchange risk arises from purchase and sales transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to maintain Canadian cash on hand to support Canadian forecasted cash flows over a 12 month horizon. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held.

Balances denominated in USD at December 31, 2016 and 2015 are as follows:

	2016	2015
Cash	\$ 39,049	\$ 55,401
Accounts receivable and other receivables	25,795	151,048
Accounts payable and accrued liabilities	(919,886)	(588,392)
Total net liability	\$ (855,042)	\$ (381,941)

Fluctuations in the Canadian dollar exchange rate have an impact on the Company's results from operations. They can impair the ability of the Company to pay its foreign currency-denominated expenses.

Fluctuation of the U.S. dollar relative to the Canadian dollar of 5% would impact net loss by approximately \$ 42,752 at December 31, 2016 (2015 impact net loss - \$19,097).

(ii) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk.

The Company's demand loan has fixed interest rates. Fluctuations in market rates of interest would not change the Company's interest expense.

(b) Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk of the Company at period-end is the carrying value of its cash, accounts receivable and amounts due from related parties.

The Company manages credit risk by maintaining bank accounts with Schedule 1 banks in Canada and investing only in cash.

Cash is held with Canadian Chartered Banks.

FINANCIAL RISK MANAGEMENT (Cont'd)

Financial instruments that potentially subject the Company to credit risk consist of accounts receivable, amounts due from related parties and other receivables. The Company does not require collateral or other security for accounts receivable or amounts due from related parties. The Company estimates its provision for uncollectable amounts based on analysis of the specific amount and debtor's payment history and prospects.

Top three customers represent 55% of accounts receivable at December 31, 2016 (2015 - three customers represented 49%). As at March 31, 2017, 73% (2016 – 42%) of the balance was collected. As at December 31, 2016, approximately \$260,335(2015 –\$453,094) of the Company's receivable were past due the average credit period of 60 days of which approximately \$189,726 (2015- \$396,621) have been allowed for as doubtful debts.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at December 31, 2016, the Company has accounts payable and accrued liabilities and demand loans of \$13,651,932 due within 12 months (2015 - \$14,406,922), cash of \$ 2,601,224 (2015 - \$1,275,015) and receivables of \$ 557,662 (2015 - \$1,466,007) to meet its current obligations. As a result the Company has significant liquidity risk (see note 1 for further details).

(d) Economic Dependence

Two customers, each accounting for more than 10% of total revenues, represent 39% of the Company's revenue in the current year (2015 - two customers, each accounting for more than 10% of total revenues, represented 27%).

The Company depends on large telecommunications carriers to provide certain products and services. If these carriers were unwilling or unable to provide such products and services in the future, the Company's ability to provide products and services to its customers may be adversely affected and the Company might not be able to obtain similar services from alternative carriers on a timely basis or on terms favorable to the Company.

(e) Fair value

The estimated fair values of accounts receivable, accounts payable, accrued liabilities and demand loans debt approximates their carrying values due relatively short term nature of the instruments and/or floating interest rates of the instruments.

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

The following summarizes the Company's related party transactions for the year:

	2016	2015
Salaries and benefits	\$ 286,900	386,914
Accounts payable	\$ 339,447	434,966
Accounts receivable	\$ --	23,918

An entity that is related to a director of the Company has a 14.64% interest in the lender of the demand loan.

17. KEY MANAGEMENT COMPENSATION

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Company's key management personnel include Chief Executive Officer & President, Chief Financial Officer and Vice President New Programs.

Remuneration of Directors and key management of Company was as follows:

	Year ended Dec 31, 2016	Year ended Dec 31, 2015
Salaries and Benefits	\$ 270,994	\$ 346,909
Total	\$ 270,994	\$ 346,909

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

18. INCOME TAXES

(a) Income tax expense

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in the consolidated financial statements:

	2016	2015
Income (Loss) before income taxes	\$971,365	\$(1,712,636)
Statutory rate	26.50%	26.50%
Expected income tax expense (recovery)	257,412	(453,849)
Effect on income taxes of unrecognized deferred income tax asset relating to deductible temporary differences on:		
Change in unrecognized deferred tax asset and rates	(257,412)	346,537
Non-deductible expenses	-	107,312
Income tax expense	-	-

(b) Deferred income taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	2016	2015
Amounts related to tax loss and credits carry forwards	\$5,919,875	\$6,147,121
Property and equipment and intangible assets	470,942	504,599
Share issue and finance costs	156,494	156,494
Net deferred tax asset	6,547,311	6,808,214
Less: Deferred tax asset not recognized	(6,547,311)	(6,808,214)
Deferred income taxes	\$ -	\$ -

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

(c) Loss and tax credits carry forwards

As at December 31, 2016, the company has non-capital losses expiring as follows:

2027	\$ 247,366
2028	1,561,366
2029	444,439
2030	675,981
2031	855,461
2032	7,030,492
2033	4,019,146
2034	1,844,278
2035	2,431,830
2036	1,548,417
	\$20,658,776

The potential tax benefit relating to the non-capital losses and tax credit carry forwards has not been reflected in these financial statements.

19. RESTATEMENT

Subsequent to the issuance of the company's 2015 audited consolidated financial statements, the company determined that revenue for services provided to a customer in 2015 was not invoiced until 2016. All the revenue recognition criteria had been met in 2015. As a result of the correction there was a change to revenues, accounts receivable, comprehensive income and deficit reported in 2015. The restatement of the company's audited consolidated financial statements includes adjustments to the consolidated statement of financial position, the consolidated statement of operations and comprehensive income and consolidated statement of cash flow as set out below.

	As previously reported	Adjustment	Restated
Changes to the consolidated statement of financial position			
Accounts receivable	\$ 592,507	\$ 873,500	\$ 1,466,007
Deficit	\$ (30,946,728)	\$ 873,500	\$(30,073,228)
Changes to the consolidated statement of operations and comprehensive income			
Revenues	\$ 8,856,298	\$ 873,500	\$ 9,729,798
Operating loss before interest	(1,816,999)	873,500	(943,499)
Net loss	(2,586,136)	873,500	(1,712,636)
Comprehensive loss	\$ (2,724,984)	\$ 873,500	\$ (1,851,484)
Loss per share	\$ (0.108)		\$ (0.072)
Changes to consolidated statement of cash flow			
Net loss	\$ (2,586,136)	\$ 873,500	\$ (1,712,636)
Net change in non-cash working capital			
Accounts receivable	\$ (167,676)	\$ (873,500)	\$ (705,824)

SELECTCORE LTD.
Notes to consolidated financial statements
December 31, 2016 and 2015
(Presented in Canadian Dollars)

20. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

	2016	2015
Basic earnings (loss) available to common shareholders	\$ 971,365	\$ (1,712,636)
Weighted average number of common shares outstanding, basic	30,037,852	23,938,948
Basic earnings per share	\$ 0.033	\$ (0.072)
Weighted average number of common shares outstanding	30,037,852	23,938,948
Assumed exercise of outstanding dilutive options and warrants	11,300,000	11,300,000
Shares repurchased from proceeds of assumed exercise of options and warrants	(60,266,667)	(45,200,000)
Weighted average number of common shares outstanding, diluted	(18,928,815)	(9,961,052)
Basic and diluted earnings (loss) per share	\$ 0.033	\$ (0.072)

The effects of the outstanding warrants for the years ended December 31, 2016 and 2015 have been excluded from the calculations of diluted earnings (loss) per share as it would be anti-dilutive.

21. COMPARATIVE FIGURES

Comparative figures for 2015 have been reclassified to conform to the presentation adopted for 2016.

22. SUBSEQUENT EVENTS

After December 31, 2016 and up to April 27, 2017, there were 3,800,000 warrants exercised.

On January 25, 2017, the Company signed a letter of intent for a joint venture with First Global Data Corp. The joint venture will combine the synergistic assets of both organizations to offer a full suite of payment services in the Canada marketplace. The two organizations are working on the definitive agreement.

SUBSEQUENT EVENTS (cont'd)

On March 16, 2017, SelectCore Financial Services Inc., the Company's wholly owned subsidiary, and six other program managers (collectively, the "**Defendants**") have been served by All Trans Financial Services Credit Union Limited ("**All Trans**") with two separate Statements of Claim filed in the Ontario Superior Court of Justice (the "**Claims**"). The Claims relate to separate claims brought by a plaintiff (the "**Underlying Plaintiff**") against All Trans in the Court of Queen's Bench for Saskatchewan and the Supreme Court of British Columbia, and which allege, among other things, that the fees and expiry dates associated with the prepaid cards issued by All Trans are not permitted under the consumer protection and trade legislation of each province (the "**Underlying Claims**"). The prepaid cards at issue in the Underlying Claims relate to cards that were distributed by the Defendants pursuant to Special Account Agreements executed individually between each of the Defendants and All Trans. The Claims seek, among other things, for an order requiring the Defendants; the seven program managers, to indemnify All Trans for any amounts for which All Trans is found liable to pay to the Underlying Plaintiff or for damages for breach of the Special Account Agreements, negligence and negligent misrepresentations in an amount equal to any amounts for which All Trans is liable to pay to the Underlying Plaintiff. In the view of management, the allegations made in the Claims are without merit and the action will be vigorously defended.

On April 3, 2017, the Company granted 3,380,000 incentive stock options to various officers, directors, employees and consultants. The options are exercisable at \$0.17 per option for a period of three years from the date of grant, vesting pursuant to the terms of the Company's Stock Option Plan.

On April 13, 2017, the Company completed a private placement. The Company issued 13,330,330 units at a price of \$0.15 per unit and raised aggregate proceeds of \$2,000,000. Each unit consists of one common share and one common share purchase warrant with an exercise price of \$0.20 for a period of three years.

On April 20, 2017, the Company was served by PACE Savings & Credit Union Limited ("**PACE**") with a Statement of Claim filed in the Ontario Superior Court of Justice (the "**Claim**") for the amount of \$4,000,000. The Claim relates to the shortfall of a secured cash pledge ("**Secured Deposit**"), as per the Special Account Agreement executed between the Company and All Trans Financial Services Credit Union Limited ("**All Trans**"), which was acquired by PACE. The Company has been disclosing this shortfall in its financial statements during the previous years.

After December 31, 2016 and up to April 28, 2017, the Company had repaid \$1,031,299 for the demand loan.