DATA DEPOSIT BOX
So Simple, So Smart

Data Deposit Box Inc.
(formerly Coltrane Technologies Inc.)

Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

(expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Data Deposit Box Inc., are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Tim Jewell
Chief Executive Officer

Marco Guidi
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Data Deposit Box Inc.:

We have audited the accompanying consolidated financial statements of Data Deposit Box Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of loss and comprehensive loss, changes in equity, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Data Deposit Box Inc. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance, the results of their operations, and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 to the financial statements, which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Data Deposit Box Inc.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 27, 2016 — Licensed Public Accountants

Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at,	**December 31, 2015** **$**	December 31, 2014 $
ASSETS		
Current		
Cash and cash equivalents (note 6)	**1,150,068**	427,400
Accounts receivable (note 8)	**132,189**	111,153
Taxes receivable (note 9)	**110,980**	10,055
Investment tax credits receivable (note 20)	**74,026**	120,000
Prepaid expenses	**26,189**	48,444
	1,493,452	717,052
Promissory note receivable (note 7)	**-**	244,842
Property and equipment (note 10)	**2,612,515**	3,042,139
Intangible assets (note 11)	**340,805**	671,103
	4,446,772	4,675,136
LIABILITIES AND EQUITY		
Current		
Trade and other payables (notes 12 and 13)	**958,640**	374,511
Unearned revenue	**160,448**	102,401
Current portion of finance lease obligations (note 21)	**223,459**	804,461
Long-term portion of finance lease obligations due on demand (note 21)	**-**	1,062,658
Demand loan (note 22)	**966,667**	-
	2,309,214	2,344,031
Finance lease obligations (note 21)	**143,659**	361,908
	2,452,873	2,705,939
Equity		
Share capital (note 15)	**6,879,207**	3,565,115
Reserve for share-based payments (note 17)	**1,686,525**	985,525
Reserve for warrants (note 18)	**1,324,845**	621,000
Deficit	**(7,896,678)**	(3,202,443)
	1,993,899	1,969,197
	4,446,772	4,675,136

Nature of operations and going concern *(note 1)*
Commitments and contingencies *(note 19)*
Events after the reporting period *(note 24)*

On behalf of the Board of Directors on April 27, 2016:

("signed")	("signed")
Troy Cheeseman	Tim Jewell
Director	Director

The accompanying notes are an integral part of these consolidated financial statements.

Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended December 31, 2015 $	Year ended December 31, 2014 $
Revenue	**4,428,564**	5,009,764
Cost of sales		
Data center	**1,401,663**	1,210,629
Amortization (note 11)	**433,033**	457,665
Wages and benefits	**90,344**	124,150
Commissions	**418,611**	495,566
Merchant fees	**196,874**	197,310
Total cost of sales	**2,540,525**	2,485,320
Gross margin	**1,888,039**	2,524,444
Operating expenses		
Wages and benefits (note 13)	**1,378,331**	1,116,817
Professional fees	**658,924**	205,806
Sales and marketing	**437,327**	104,756
General and administrative	**424,347**	287,249
Shareholder information	**318,567**	-
Management salaries (note 13)	**122,249**	378,710
Depreciation (note 10)	**650,032**	670,289
Share-based payments (note 16 and 18)	**701,000**	932,500
Total expenses	**4,690,777**	3,696,127
Loss before listing costs, interest expense, and gain (loss) on foreign exchange	**(2,802,738)**	(1,171,683)
Other income (expense)		
Listing costs (note 13 and 14)	**(1,827,348)**	-
Interest expense	**(107,038)**	(86,205)
Gain (loss) on foreign exchange	**42,889**	(2,652)
Net loss and comprehensive loss	**(4,694,235)**	(1,260,540)
Loss per share - basic and diluted	**(0.18)**	(0.46)
Weighted average number of common shares outstanding - basic and diluted	**26,249,953**	2,754,068

The accompanying notes are an integral part of these consolidated financial statements.

Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share Capital					
	Number of shares*	**Amount**	**Reserve for share-based payments**	**Reserve for warrants**	**Retained earnings (deficit)**	**Total**
Balance at December 31, 2013	**16,474,410**	**$ 3,565,115**	**$ 674,025**	**$ -**	**$ (1,941,903)**	**$ 2,297,237**
Shares issued for services	49,998	-	-	-	-	-
Share-based payments	-	-	311,500	-	-	311,500
Compensation warrants issued	-	-	-	621,000	-	621,000
Net loss and comprehensive loss for the year	-	-	-	-	(1,260,540)	(1,260,540)
Balance at December 31, 2014	**16,524,408**	**$ 3,565,115**	**$ 985,525**	**$ 621,000**	**$ (3,202,443)**	**$ 1,969,197**
Issuance of share capital, net of issue costs (Note 15)	1,875,000	365,000	-	-	-	365,000
Warrants issued on private placement (Note 18)	-	(132,000)	-	132,000	-	-
Shares and warrants notionally issued for reverse acquisition (Note 14)	12,021,898	2,765,037	-	785,000	-	3,550,037
Exercise of warrants	365,000	102,900	-	-	-	102,900
Reserve transferred on exercise of warrants	-	213,155	-	(213,155)	-	-
Share-based payments	-	-	701,000	-	-	701,000
Net loss and comprehensive loss for the year	-	-	-	-	(4,694,235)	(4,694,235)
Balance at December 31, 2015	**30,786,306**	**$ 6,879,207**	**$ 1,686,525**	**$ 1,324,845**	**$ (7,896,678)**	**$ 1,993,899**

* Number of shares outstanding reflects the six for one share consolidation on March 2, 2015 of the Company's issued and outstanding shares

The accompanying notes are an integral part of these consolidated financial statements.

Data Deposit Box Inc. (formerly Coltrane Technologies Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2015 $	Year ended December 31, 2014 $
Operating activities		
Net loss for the year	**(4,694,235)**	(1,260,540)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	**433,033**	457,665
Depreciation of property and equipment	**650,032**	670,289
Share-based payments	**701,000**	932,500
Non-cash listing costs	**1,614,861**	-
Changes in non-cash working capital, net of acquisition (note 14)		
Accounts receivable	**(21,036)**	(26,632)
Promissory notes receivable	**244,842**	(11,659)
Prepaid expenses	**113,755**	67,757
Investment tax credits receivable	**45,974**	116,384
Taxes receivable	**13,922**	7,889
Unearned revenue	**58,047**	98,165
Trade and other payables	**275,164**	(322,024)
Cash (used in) provided from operating activities	**(564,641)**	729,794
Financing activities		
Proceeds from private placement, net of issue costs	**365,000**	-
Proceeds from exercise of warrants	**102,000**	-
Repayment of finance lease obligations	**(895,242)**	(783,724)
Cash used in financing activities	**(427,342)**	(783,724)
Investing activities		
Purchase of property, plant and equipment	**(220,408)**	(36,234)
Additions to intangible assets	**(102,735)**	-
Net cash acquired from reverse acquisition	**2,037,794**	-
Cash provided from investing activities	**1,714,651**	(36,234)
Increase (decrease) in cash and cash equivalents	**722,668**	(90,164)
Cash and cash equivalents, beginning of year	**427,400**	523,783
Cash and cash equivalents, end of year	**1,150,068**	427,400
Supplementary Information		
Interest paid	**107,038**	86,205
Income tax paid (recovered)	**-**	-

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Data Deposit Box Inc. ("Data Deposit Box" or "the Company"), formerly Coltrane Technologies Inc., was was incorporated in the province of British Columbia on September 16, 2014. The Company's head office is located at 1 Eglinton Avenue East, Suite 407, Toronto, ON, M4P 3A1.

Acpana Business Systems Inc. ("Acpana") was incorporated under the laws of Ontario on December 4, 2002. On March 18, 2015, Acpana completed a reverse takeover transaction of Data Deposit Box. For accounting purposes, Acpana is considered the acquirer and Data Deposit Box, the acquired company. Additional information on the transaction is available in note 14.

The Company is engaged in the development and operation of off-site computer data storage facilities and other business computer applications for commercial business customers.

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has a net loss for the year ended December 31, 2015 of $4,694,235 (2014 - $1,260,540) and negative cash flows from operating activities of $564,641 (2014 - $729,794 positive cash flow). In addition, the Company has an accumulated deficit of $7,896,678 (December 31, 2014 - $3,202,443) and a working capital deficiency of $815,762 (December 31, 2014 - $1,626,979 working capital deficiency) and is currently in breach of its debt covenants (note 22). These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain equity investment and borrowings sufficient to meet current and future obligations and/or restructure the existing debt and payables. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on April 27, 2016.

2.2 Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

2. BASIS OF PREPARATION (continued)

2.3 Use of management estimates, judgments and measurement uncertainty

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates and judgments relate to the calculation of share-based payments, valuation of deferred income tax amounts, determination of functional currency, and the recoverability of taxes receivable including accrual of scientific research and experimental development (SR&ED) tax credits. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

Calculation of share-based payments and warrants

The Black-Scholes option pricing model is used to determine the fair value for the share-based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Functional currency

The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Company analyzed both the primary and secondary factors, including the currency of the Company's operating costs in Canada and the United States, and sources of equity financing.

Taxes receivable related to research and development

Taxes receivable are related to research and development credits and are based on estimated expenditures spent on research and development before the detailed claim is calculated. Taxes receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

2. BASIS OF PREPARATION (continued)

2.3 Use of management estimates, judgments and measurement uncertainty (continued)

Income taxes

Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the asset and liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the consolidated statement of financial position date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

2.4 Adoption of new and revised standards and interpretations

New standards and interpretations to be adopted in future periods

- IFRS 9 – *Financial Instruments* (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristic of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.
- IFRS 15 *Revenue from Contracts with Customers* - In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity’s first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. The Company intends to adopt the standard on its effective date and has not yet determined the impact on its financial statements.
- In December 2014, the IASB issued amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”) to improve the effectiveness of presentation and disclosure in financial reports with the objective of reducing immaterial note disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company has not yet determined the impact of the amendments on its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, 2441043 Ontario Inc., a company based in Ontario.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

3.2 Revenue recognition

The Company derives its revenues from two sources: (a) service fees, which comprise subscription fees from customers accessing its on-demand application service and maintenance; and (b) related professional services.

The Company recognizes revenue when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the service has been provided to the customer;
- the collection of fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

The Company's arrangements do not contain general rights of return.

Product and service elements that have been prepaid but do not yet qualify for recognition as revenue under the Company's revenue recognition policy are reflected as unearned revenue on the Company's consolidated statement of financial position.

3.3 Property and equipment

Property and equipment ("P&E") are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of P&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Depreciation is provided at rates calculated to expense the cost of P&E, less their estimated residual value, using the declining balance method over the following expected useful lives:

Computer servers	20%
Computer hardware	30%
Computer leases	30%
Office furniture and equipment	30%
Leasehold improvements	20%

An item of P&E is derecognized upon disposal, when held-for-sale 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 the consolidated statement of comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives, and depreciation methods being used for P&E and any changes arising from the assessment are applied by the Company prospectively.

Where an item of P&E comprises major components with different useful lives, the components are accounted for as separate items of P&E. Expenditures incurred to replace a component of P&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2015 and 2014, all the outstanding stock options were anti-dilutive.

3.5 Share-based payments

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payments reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings or loss per share.

3.6 Intangible assets

Intangible assets are carried at cost, less accumulated amortization.

Amortization is provided for at rates intended to expense the assets over their estimated useful lives, as follows:

Software	20-30% declining balance
Trademarks and patents	straight-line over estimated useful lives
Acquired software	straight-line over three to five years
Website	30% declining balance

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Taxation

Income tax (expense) recovery represents the sum of tax currently payable or recoverable and deferred tax.

Current tax

Current 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 by the date of the consolidated statement of financial position.

Deferred tax

Deferred tax is provided using the asset and liability method on temporary differences at the date of the consolidated statement of financial position between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and 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 tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred 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 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 tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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 the reporting period.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive loss.

Deferred 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 the 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.

3.8 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables, or fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through net loss. The Company’s cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. The Company’s accounts receivable and promissory notes receivable are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, where appropriate, a shorter period. The Company's trade and other payables and finance lease obligations are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss. At December 31, 2015, the Company has not classified any financial liabilities as FVTPL.

3.10 Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in net loss.

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 to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in net loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in net income or loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in net income or loss, is transferred from equity to net loss, or charged directly to net loss. Impairment reversals in respect of equity instruments classified as available-for-sale are not recognized in net loss until realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3.12 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash deposits held in financial institutions (and on hand) and short-term deposits with a remaining maturity at the date of acquisition of three months or less which are readily convertible into a known amount of cash.

3.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.14 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, and related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Foreign currency transactions

Functional and presentation currency

Items included in the consolidated financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian. The consolidated financial statements are presented in Canadian dollars which is the group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

4. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserve accounts, and accumulated deficit which at December 31, 2015 totaled $1,993,899 (December 31, 2014 - $1,969,197).
Data Deposit Box manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating and capital expenditures, and other investing and financing activities. The forecast is updated based on activities related to its operations. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2015.

The Company is subject to various covenants on its demand loan, including current ratio, fixed charge coverage ratio and debt ratios. See note 22 for details.

5. FAIR VALUE AND FINANCIAL RISK FACTORS

Fair value of financial instruments

The Company has designated its cash and cash equivalents as FVTPL which are measured at fair value. Fair value of cash and cash equivalents is determined based on transaction value and is categorized as a Level one measurement in the following hierarchy:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two includes inputs that are observable other than quoted prices included in Level One.
- Level Three includes inputs that are not based on observable market data.

As at December 31, 2015, and 2014, the carrying and fair value amounts of the Company's receivables and trade and other payables are approximately equivalent. The fair value of the Company's promissory note approximates its carrying value as the interest rate of prime plus 2% is commensurate with estimated borrowing rates for loans with similar terms and conditions.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, accounts receivable and promissory note receivable. Cash and cash equivalents consist of cash on hand deposited with reputable financial institutions which is closely monitored by management. Management believes credit risk with respect to financial instruments included in cash and cash equivalents, accounts receivable and promissory note receivable is minimal. The Company's maximum exposure to credit risk as at December 31, 2015 and 2014 is the carrying value of receivables and the promissory note receivables.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2015, the Company had current assets of $1,493,452 (December 31, 2014 - $717,052) to settle current liabilities of $2,309,214 (December 31, 2014 - $2,344,031) resulting in a working capital deficiency of $815,762 (December 31, 2014 - $1,626,979 working capital deficiency). The Company manages liquidity risk through regular monitoring of forecasted and actual cash flows (see note 1).

5. FAIR VALUE AND FINANCIAL RISK FACTORS (continued)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and the prices of commodities and equities.

Interest rate risk

The Company has cash and cash equivalents balances and interest-bearing debt. The Company's current policy is to invest excess cash in short-term guaranteed investment certificates issued by banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its investments. As at December 31, 2015, the Company had cash and cash equivalents of $1,150,068 (December 31, 2014 - $427,400). Interest rate risk on the promissory notes is not considered significant as at December 31, 2015 and 2014.

Foreign currency risk

The Company's activities are conducted in Canada and the USA. Major purchases are transacted in Canadian and US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk. The Company mitigates the risk of foreign currency fluctuations by converting Canadian currency to US dollars when required to fund expenditures.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next 12-month period:

(i) Interest rate risk is limited to cash and cash equivalents balances, primarily held in Canadian and US dollars in Canada.

(ii) The Company's holds financial assets and liabilities in US dollars that give rise to foreign exchange risk. If the US dollar rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, net loss for the year ended December 31, 2015 would have been less than $5,000 higher/lower.

6. CASH AND CASH EQUIVALENTS

The balance at December 31, 2015 consists of cash on deposit with major Canadian and US banks in general interest bearing accounts totaling $550,068 (December 31, 2014 - $427,400) and cash held in trust with the Company's lawyer of $600,000 (December 31, 2014 - $nil) for total cash and cash equivalents of $1,150,068 (December 31, 2014 - $427,400).

(Expressed in Canadian dollars)

7. PROMISSORY NOTES RECEIVABLE

The promissory note receivable balance relates to loans given to shareholders of the Company.

	As at,	
	December 31, 2015	December 31, 2014
	$	$
World Wide Pants Inc.	**-**	244,842
	-	244,842

The promissory note receivable bore interest at a rate of the greater of (a) prime rate plus 2% and (b) 5% per annum. The promissory note was secured by shares of Data Deposit Box owned by the note holder and by personal guarantee given by the above entity.

The promissory note was repayable at the dates and to the extent provided for in the share pledge agreement entered into between the entity and the Company. During the year ended December 31, 2015, the promissory note was fully repaid.

Interest income recognized in connection with the promissory note receivable for the year ended December 31, 2015 was $158 (2014 - $11,659)

8. ACCOUNTS RECEIVABLE

The Company's accounts receivable arise from amounts due from customers and are outstanding as follows:

	As at,	
	December 31, 2015	December 31, 2014
	$	$
1 – 30 days	**41,033**	52,799
30 – 60 days	**32,390**	53,448
60 – 90 days	**51,908**	1,297
Over 90 days	**6,858**	3,609
Total accounts receivable	**132,189**	111,153

At December 31, 2015, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 5. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2015 and 2014. As at December 31, 2015 receivables past due but not impaired are $58,766 (December 31, 2014 - $4,906).

(Expressed in Canadian dollars)

9. TAXES RECEIVABLE

The Company's taxes receivable is comprised of harmonized sales tax ("HST") due from the Canadian government.

At December 31, 2015, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 5. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2015 and December 31, 2014.

10. PROPERTY AND EQUIPMENT

	Computer Servers	Computer Hardware	Computer Leases	Office Furniture & Equipment	Total
	$	$	$	$	$
Cost					
As at December 31, 2013	**352,143**	**766,631**	**5,196,361**	**41,476**	**6,356,611**
Additions	36,234	-	392,608	-	428,842
Disposals	-	-	-	-	-
As at December 31, 2014	**388,377**	**766,631**	**5,588,969**	**41,476**	**6,785,453**
Additions	172,920	47,488	-	-	220,408
Disposals	-	-	-	-	-
As at December 31, 2015	**561,297**	**814,119**	**5,588,969**	**41,476**	**7,005,861**
Accumulated depreciation					
As at December 31, 2013	**252,838**	**609,017**	**2,187,261**	**23,909**	**3,073,025**
Additions	28,747	23,542	615,122	2,878	670,289
Disposals	-	-	-	-	-
As at December 31, 2014	**281,585**	**632,559**	**2,802,383**	**26,787**	**3,743,314**
Additions	45,867	31,542	570,620	2,003	650,032
Disposals	-	-	-	-	-
As at December 31, 2015	**327,452**	**664,101**	**3,373,003**	**28,790**	**4,393,346**
Net Book Value					
As at December 31, 2013	99,305	157,614	3,009,100	17,567	3,283,586
As at December 31, 2014	106,792	134,072	2,786,586	14,689	3,042,139
As at December 31, 2015	**233,845**	**150,018**	**2,215,966**	**12,686**	**2,612,515**

(Expressed in Canadian dollars)

11. INTANGIBLE ASSETS

	Software	Trademarks & Patents	Acquired Software	Website	Total
	$	$	$	$	$
Cost					
As at December 31, 2013	**1,127,855**	**55,310**	**1,470,000**	**78,433**	**2,731,598**
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at December 31, 2014	**1,127,855**	**55,310**	**1,470,000**	**78,433**	**2,731,598**
Additions	102,735	-	-	-	102,735
Disposals	-	-	-	-	-
As at December 31, 2015	**1,230,590**	**55,310**	**1,470,000**	**78,433**	**2,834,333**
Accumulated depreciation					
As at December 31, 2013	**659,718**	**35,107**	**840,303**	**67,702**	**1,602,830**
Additions	160,787	6,803	286,856	3,219	457,665
Disposals	-	-	-	-	-
As at December 31, 2014	**820,505**	**41,910**	**1,127,159**	**70,921**	**2,060,495**
Additions	140,691	6,803	283,285	2,254	433,033
Disposals	-	-	-	-	-
As at December 31, 2015	**961,196**	**48,713**	**1,410,444**	**73,175**	**2,493,528**
Net Book Value					
As at December 31, 2013	468,137	20,203	629,697	10,731	1,128,768
As at December 31, 2014	307,350	13,400	342,841	7,512	671,103
As at December 31, 2015	**269,394**	**6,597**	**59,556**	**5,258**	**340,805**

12. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to property and equipment and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is approximately 30 days.

The following is an aged analysis of the trade and other payables:

	As at,	
	December 31, 2015	December 31, 2014
	$	$
Less than 1 month	**495,234**	282,216
1 - 3 months	**29,875**	9,465
Over 3 months	**433,531**	82,830
Total trade and other payables	**958,640**	374,511

(Expressed in Canadian dollars)

13. RELATED PARTIES AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management includes the following:

	Year ended December 31, 2015	Year ended December 31, 2014
Balances:		
Short-term employee benefits	**$ 821,000**	$ 420,000
Share-based payments - options	**332,000**	-
Total compensation to key management	**$ 1,153,000**	$ 420,000

At December 31, 2015, included in trade and other payables is $132,000 (December 31, 2014 - $nil) due to key management personnel with no specific terms of repayment.

The Company provided a loan through a promissory note to the CEO, Tim Jewell, through his company World Wide Pants Inc., a shareholder. As at December 31, 2015, $nil (December 31, 2014 - $244,842) is receivable under the promissory note. See note 7 for details.

14. REVERSE TAKEOVER TRANSACTION

On March 18, 2015 the Company completed an amalgamation with Acpana and 2441043 Ontario Inc. (“2441043”) whereby each shareholder of Acpana and 2441043 received a common share of Data Deposit Box Inc. (the “Amalgamation”). The Transaction resulted in Acpana and 2441043 becoming wholly-owned subsidiaries of Data Deposit Box.

The transaction has been accounted for as a reverse acquisition in accordance with guidance provided in IFRS 2 “Share-based Payments”. As Data Deposit Box did not qualify as a business according to the definition in IFRS 3 “Business Combinations”, this reverse acquisition transaction does not constitute a business combination; rather, it is equivalent to the issuance of shares by the non-public operating entity, Acpana, for the net assets and the listing status of the non-operating public company, Data Deposit Box. As a result, the Transaction is accounted for as a capital transaction, with Acpana being identified as the accounting acquirer and the equity consideration provided by Acpana being measured at fair value. The fair value of the shares issued was determined based on the fair value of the common shares issued by 2441043 as part of private placements to fund the continuing entity that were completed by 2441043 prior to the reverse takeover. The resulting consolidated statement of financial position was presented as a continuance of Acpana’s operations and the comparative figures presented before the Transaction are those of Acpana. The results of operations, the cash flows, and the assets and liabilities of 2441043 and Data Deposit Box have been included in these consolidated financial statements since March 18, 2015, the Transaction date.

(Expressed in Canadian dollars)

14. REVERSE TAKEOVER TRANSACTION (continued)

Immediately prior to the Transaction each common share of Acpana was subdivided on a six for one basis. The resulting 12,021,898 common shares owned by the shareholders of Data Deposit Box and 2441043 as at the Transaction Date and the resulting 11,993,858 warrants to purchase common shares were considered a deemed issue of common shares and warrants by Acpana to acquire the net assets of Data Deposit Box and 2441043. In accordance with IFRS 2, the excess of the fair value of the common shares issued by Acpana over the value of the net assets of Data Deposit Box and 2441043 was recognized in the consolidated statements of loss and comprehensive loss, as listing costs.

Each of the stock options and warrants to purchase common shares of Acpana and 2441043 were exchanged and retain all original terms but are now exercisable for one common share of the Company. After closing of the Transaction, the name of the Company was changed to Data Deposit Box Inc.

Consideration:		
12,021,898 shares (Note 15(ii))	$	2,765,037
11,993,858 warrants (Note 18)		785,000
Total consideration		3,550,037
Net assets acquired:		
Cash and cash equivalents	$	2,037,794
Accounts receivable		114,847
Prepaid expenses		91,500
Accounts payable and accrued liabilities		(308,965)
		1,935,176
Excess attributed to cost of listing		1,614,861
Total	$	3,550,037
Listing costs:		
Excess attributed to cost of listing	$	1,614,861
Professional fees and other		212,487
	$	1,827,348

(Expressed in Canadian dollars)

15. SHARE CAPITAL

The following details the share capital of Data Deposit Box:

	Number of Shares	Amount $
Balance – January 1, 2014	**2,745,735**	**3,565,115**
Shares issued for services	8,333	-
Balance – December 31, 2014	**2,754,068**	**3,565,115**
Share split 6:1 (i)	13,770,340	-
Balance – March 18, 2015	**16,524,408**	**3,565,115**
Issued pursuant to private placement of 1,875,000 units (iii)	1,875,000	375,000
Warrants issued (note 18)	-	(132,000)
Share issue costs (iii)	-	(10,000)
Shares issued on reverse takeover transaction (ii)	12,021,898	2,765,037
Exercise of warrants	365,000	102,900
Reserve transferred on exercise of warrants	-	213,155
Balance – December 31, 2015	**30,786,306**	**6,879,207**

(i) On March 18, 2015, immediately prior to the Amalgamation each common share of Acpana was subdivided on a six for one basis.

(ii) On March 18, 2015, as part of the reverse takeover transaction (note 14) the Company notionally issued 12,021,898 common shares to former Data Deposit Box and 2441043 shareholders. The fair value of $2,765,037 was assigned to the common shares based on the fair value attributed to the shares issued in the private placements completed by 2441043 prior to the amalgamation as part of funding of the newly amalgamated company.

(iii) On December 31, 2015, the Company closed the first tranche of a non-brokered private placement (the “Offering”) of an aggregate of 1,875,000 units at $0.20 per unit for gross proceeds of $375,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant, with each warrant exercisable into one common share at an exercise price of $0.30 per share until December 31, 2016. Should the closing price at which the Common Shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the Common Shares may trade at the applicable time) exceed $0.35 for 10 consecutive trading days at any time following the date that is four months and one day after the date of issuance, the Company may accelerate the Warrant Term (“Reduced Warrant Term”) such that the Warrants shall expire on the date which is 30 calendar days following the date a press release is issued by the Company announcing the Reduced Warrant Term.

In connection with the financing, the Company incurred legal fees of $10,000.

The Company closed the second tranche of the Offering on February 5, 2016 (see note 24).

(Expressed in Canadian dollars)

16. STOCK OPTIONS

The Company has a stock option plan (the "Plan") under which the Company may grant options to directors, officers, employees and consultants. The maximum number of common shares reserved for issue under the Plan at any point in time may not exceed 20% of the number of shares issued and outstanding. The purpose of the Plan is to attract, retain and motivate directors, officers, employees, and certain third party service providers by providing them with the opportunity to acquire a proprietary interest in the Company and benefit from its growth. Options granted under the Plan are non-assignable and vest over various terms up to 3 years from the date of grant. As at December 31, 2015, the Company had 1,107,261 (December 31, 2014 – 224,147) options available for issuance under the Plan.

The continuity of outstanding stock options for the year ended December 31, 2015 and 2014 is as follows:

	Number of stock options	Weighted average exercise price per share $
Balance – December 31, 2013 and December 31, 2014	**325,000**	**4.67**
Granted	5,250,000	0.31
Expired/Cancelled	(525,000)	3.08
Balance – December 31, 2015	**5,050,000**	**0.30**

Share-based payments:

Year ended December 31, 2015

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the stock options issued during the year ended December 31, 2015:

Grant date	March 27, 2015	March 27, 2015	March 27, 2015	Total
No. of options	2,870,000	200,000	2,180,000	5,250,000
Exercise price	$ 0.30	$ 0.50	$ 0.30	
Expected life in years	5	5	5	
Volatility	100%	100%	100%	
Risk-free interest rate	0.79%	0.79%	0.79%	
Dividend yield	-	-	-	
Vesting	immediately	immediately	10% immediately, and 15% every 6 months thereafter	
Fair value of options granted	$ 466,000	$ 29,000	$ 354,000	$ 849,000
Share-based payments recognized in profit or loss	$ 466,000	$ 29,000	$ 206,000	$ 701,000

Volatility was estimated based on comparable companies.

(Expressed in Canadian dollars)

16. STOCK OPTIONS (continued)

Year ended December 31, 2014

No stock options were granted during the year ended December 31, 2014. Vesting of options issued during the year ended December 31, 2013 resulted in share-based payment expense of $311,500 being recognized for the year ended December 31, 2014. On July 18, 2014, the Company issued 898,818 share purchase warrants to a company for services provided; the vesting of share purchase warrants resulted in share-based payment expense of $621,000, for a total share-based payment expense of $932,500 for the year ended December 31, 2014.

The weighted average grant date fair value of options granted during the year ended December 31, 2015 was $0.16 (Year ended December 31, 2014 - $nil) per option issued.

The following table provides additional information about outstanding stock options at December 31, 2015:

No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	No. of Options Currently Exercisable	Weighted Average Exercise Price – Exercisable Options
5,050,000	4.24	$ 0.30	3,415,000	$ 0.30

17. RESERVE FOR SHARE-BASED PAYMENTS

A summary of the changes in the Company's reserve for share-based payments for the years ended December 31, 2015 and 2014 is set out below:

	Amount $
Balance – December 31, 2013	**674,025**
Share-based payments	311,500
Balance – December 31, 2014	**985,525**
Share-based payments	701,000
Balance – December 31, 2015	**1,686,525**

(Expressed in Canadian dollars)

18. RESERVE FOR WARRANTS

The following table reflects the continuity of warrants for the years ended December 31, 2015 and 2014:

	Number of Warrants	Amount $
Balance – December 31, 2013	-	-
Compensation warrants issued (i)	898,818	621,000
Balance – December 31, 2014	**898,818**	**621,000**
Compensation warrants issued on reverse takeover transaction (ii)	11,993,858	785,000
Share purchase warrants issued pursuant to private placement (iii)	1,875,000	132,000
Exercise of warrants	(365,000)	(213,155)
Balance – December 31, 2015	**14,402,676**	**1,324,845**

(i) On July 18, 2014 the Company issued 898,818 share purchase warrants to a company for services provided. Each warrant entitles the holder to acquire a common share of Data Deposit Box at a price of $0.28. These warrants expire on December 2, 2016.

The warrants have a fair value of $621,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	1,04%	Expected volatility	79%
Dividend yield	nil	Expected life	28 months

(ii) As part of the reverse takeover transaction as described in note 14, the Company valued 11,993,858 warrants which were deemed issued on acquisition.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the warrants issued on acquisition:

	Warrants	Warrants	Broker Warrants	Broker Warrants	Total
No. of warrants	9,502,898	1,500,000	495,480	495,480	11,993,858
Exercise price	$ 0.50	$ 0.30	$ 0.30	$ 0.50	
Expected life in years	1.5	1.5	1.5	1.5	
Volatility	100%	100%	100%	100%	
Risk-free interest rate	0.48%	0.48%	0.48%	0.48%	
Dividend yield	-	-	-	-	
Fair value of warrants	$ 575,000	$ 135,000	$ 45,000	$ 30,000	$ 785,000

(Expressed in Canadian dollars)

18. RESERVE FOR WARRANTS (continued)

(iii) The share purchase warrants issued pursuant to the private placement on December 31, 2015 are described in Note 15(iii) above and have a fair value of $132,000, which was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	0.48%	Expected volatility	100%
Dividend yield	nil	Expected life-units	1 year

As at December 31, 2015, warrants to purchase common shares carry exercise prices and terms to maturity as follows:

	Exercise price	Number of outstanding exercisable warrants	Expiry date
	$		
Warrants	0.30	1,875,000	December 31, 2016
Warrants	0.28	598,818	December 2, 2016
Warrants	0.50	9,542,898	September 18, 2016
Warrants	0.30	1,475,000	September 18, 2016
Broker Warrants*	0.30	455,480	September 18, 2016
Broker Warrants**	0.50	455,480	September 18, 2016
Total		14,402,676	

* These are broker warrants which are issuable for one common share and one purchase share warrant
** To be issued upon exercise of broker warrants

19. COMMITMENTS AND CONTINGENCIES

In addition to the capital lease payments as described in note 21, as at December 31, 2015 the Company has future minimum lease payments for office premises of $46,373 (December 31, 2014 - $91,471). The current office lease agreement expired in 2015.

20. PRODUCT DEVELOPMENT COSTS

Costs associated with the development of new products and processes are expensed as incurred unless capitalization is required under IAS 38. The related investment tax credits reduce the costs to which they are associated, salaries and wages, in the years these credits are recorded in the consolidated statement of loss and comprehensive loss. In 2014, $179,000 was recognized. The Company has $170,000 (2014 - $170,000) of unused investment tax credits available for use in future years; these investment tax credits have not been recognized on the consolidated statement of financial position as the Company utilizes the taxes payable method.

	As at,	
	December 31, 2015	December 31, 2014
	$	$
Investment tax credits receivable	**74,026**	120,000

(Expressed in Canadian dollars)

21. FINANCE LEASE OBLIGATIONS

The Company leases certain computer hardware under finance leases. The future minimum lease payments under finance leases as at December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014
Total minimum lease payments	**$**	**385,310**	$	2,625,744
Less: amount representing interest		**(18,192)**		(396,717)
Finance lease obligation		**367,118**		2,229,027
Less: current portion		**(223,459)**		(804,461)
Less: long term portion due on demand		**-**		(1,062,658)
	$	**143,659**	$	361,908

As at December 31, 2015, future minimum lease payments by year, and in the aggregate, are as follows:

2016		**237,111**
2017		**142,328**
2018		**5,871**
Totals	**$**	**385,310**

The finance leases are for computer hardware and are issued at a rate of interest of between 2.25% and 5.50% and mature between 2015 and 2018. During the year ended December 31, 2015, $107,038 (2014 - $86,205) of interest from finance leases was charged to operations.

As at December 31, 2015, out of the total finance lease obligation outstanding $nil (December 31, 2014 - $1,537,978) is held under a credit facility with the Bank of Nova Scotia. On October 30, 2013 the Company was notified by the bank that it was in default of its debt service ratio covenant. Effective December 13, 2013 the Company and the bank entered into a forbearance agreement whereby it was agreed all amounts due under the credit facility are repayable on demand. As a result, the long-term portion of the finance lease obligation was presented in current liabilities as at December 31, 2014.

On March 27, 2015 Data Deposit Box entered into an extension to the forbearance agreement with a new expiry date of June 26, 2015 with the condition, which was fulfilled, that the Company deposit $1.5 million in a separate account with the Bank of Nova Scotia to fully secure all outstanding debts to the bank. On May 27, 2015, the Company refinanced its debt with the Bank of Nova Scotia with financing from the Bank of Montreal (see note 22) and all of the debt to the Bank of Nova Scotia was retired and the cash held on deposit was released to the Company.

22. DEMAND LOAN

On May 27, 2015, the Company refinanced its debt with the Bank of Nova Scotia (see note 21) with financing from the Bank of Montreal and all of the debt to the Bank of Nova Scotia was retired and the cash held on deposit was released to the Company.

The Bank of Montreal debt includes a demand loan for $1.2 million to be amortized over 36 months with interest at prime + 3.0%. In addition, there is an operating demand loan which bears interest at prime + 2.5%, from which $nil has been drawn down as at December 31, 2015 (December 31, 2014 - $nil). Both of these loan facilities are 50% secured under the EDC Export Guarantee Program and also by a General Security Agreement. As at December 31, 2015, the outstanding balance on the demand loan amounts to $966,667 (December 31, 2014 - $nil).

The demand loan is secured by a general security agreement, assigning security interest in all or any property of the Company owned or subsequently acquired.

Under the terms of the facility letter (the “facility letter”) governing the loans from the Lender, the Company’s EBITDA is required to be more than 2.50 times the senior funded debt or 3 times the total funded debt. The Company must also maintain a *current ratio* (current assets (excluding future income tax, amounts due from shareholders / directors / officers / connected or related companies and intangibles, all as determined by the Lender) divided by current assets) of at least 1.25:1 and a *fixed charge coverage ratio* (“cash flow available for debt servicing” (as defined below) divided by the aggregate of fixed principal repayments and cash interest expenses payable in respect of the total funded debt) of at least 1.06:1 as at the interim financial periods ended June 30 and September 30 2015, and at least 1.25:1 as at the financial year ended December 31, 2015. “Cash flow available for debt financing” is defined in the facility letter as EBITDA less cash taxes paid or payable in that period, less unfunded capex, less unfunded share repurchase and less dividends paid less capitalized research and development, plus any non-cash share based payments.

The definition of EBITDA in facility letter carves out any extraordinary or unusual non-recurring items (to be agreed upon by the Lender for the applicable period).

As at December 31, 2015, the Company was not in compliance with the ratios and has commenced discussions with the Lender on how the shortfalls will be rectified.

(Expressed in Canadian dollars)

23. INCOME TAXES

The reconciliation of the consolidated Canadian federal and provincial statutory income tax rate of 26.5% (2014 - 26.5%) to the effective tax rate is as follows:

	2015	2014
Net loss before recovery of income taxes	$ 4,694,235	$ 1,260,540
Expected income tax recovery	(1,243,960)	(334,000)
Tax rate changes and other adjustments	494,270	-
Non-deductible expenses	336,010	(55,270)
Expiry of warrants	5,550	-
Change in tax benefits not recognized	408,130	389,310
Income tax (recovery) expense	$ -	$ -

Deferred tax

The following table summarizes the components of deferred tax:

	2015	2014
Deferred tax assets		
Finance lease obligation	$ 97,290	$ 590,690
Non-capital losses carried forward	429,900	69,530
Deferred tax liabilities		
Property and equipment	(527,280)	(628,420)
SR&ED tax credit receivable	-	(31,800)
Net deferred tax assets	$ -	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2015	2014
Intangible Asset Acquired	$ 51,830	$ -
Share issuance costs	22,180	-
Non-capital losses carried forward	3,780,610	3,943,770
Net capital losses carried forward	263,000	263,000
Donations	3,100	1,100
SR&ED credits	267,060	267,060

(Expressed in Canadian dollars)

23. INCOME TAXES (continued)

The Canadian non-capital loss carry forwards expire as noted in the table below.

The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains.

Tax credits expire from years 2030-2035

Donations expire from years 2017-2018

The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2030	23,877
2031	330,243
2032	1,818,743
2033	88,630
2034	290,519
2035	2,851,212
	$ 5,403,224

24. EVENTS AFTER THE REPORTING PERIOD

On February 5, 2016, the Company completed the second and final tranche of the Offering raising additional gross proceeds of $201,000 through the issuance of 1,005,000 units. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each Warrant entitles the holder thereof to purchase one common share at a price of CDN$0.30 per Common Share for a period of twelve (12) months from the date of issuance, provided, however, that should the closing price at which the Common Shares trade on the Canadian Securities Exchange (or any such other stock exchange in Canada as the Common Shares may trade at the applicable time) exceed $0.35 for 10 consecutive trading days at any time following the date that is four months and one day after the date of issuance, the Company may accelerate the warrant term such that the warrants shall expire on the date which is 30 calendar days following the date a press release is issued by the Company announcing the reduced warrant term.

The Company paid a cash commission equal to 8% of the proceeds raised from subscribers introduced to the Company by finders and also issued an aggregate of 40,000 broker warrants to the finders with each broker warrant entitling the holder to acquire one common shares at a price of $0.20 for a period of one year from the date of issuance and subject to the reduced warrant term described above.