**SNIPP INTERACTIVE INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**
**(Expressed in U.S. Dollars unless otherwise noted)**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of SNIPP Interactive Inc.

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated statements of financial position of SNIPP Interactive Inc. (the Company) as of December 31, 2019 and December 31, 2018, and the related consolidated statements of operations and comprehensive loss, cash flows and changes in equity for the years ended December 31, 2019, December 31, 2018 and December 31, 2017, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the results of its consolidated operations and its consolidated cash flows for the three years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Material Uncertainty Related to Going Concern**

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

MNP LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**

We have served as the Company's auditor since 2012.

Mississauga, Ontario

April 29, 2020

MNP LLP

SNIPP INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in U.S. Dollars)
As at

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | (Note 3) | $ 848,719 | $ 1,594,429 |
| Accounts receivable, net of expected credit loss of $60,875 (2018 - $15,309) | | 2,079,074 | 2,378,671 |
| Deposits, prepaid expenses and other assets | | 435,627 | 716,877 |
| | | 3,363,420 | 4,689,977 |
| **Equipment** | (Note 5) | 21,771 | 43,419 |
| **Intangible assets** | (Note 6) | 3,397,698 | 4,701,199 |
| **Goodwill** | (Note 8) | - | 3,343,129 |
| | | $ 6,782,889 | $ 12,777,724 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | | $ 2,532,698 | $ 2,861,051 |
| Deferred revenue | | 1,786,935 | 561,760 |
| Due to related parties | (Note 7) | 49,255 | 77,244 |
| | | 4,368,888 | 3,500,055 |
| **Shareholders' equity** | | | |
| Common shares | (Note 9) | 29,523,285 | 29,523,285 |
| Warrants | (Note 9) | 421,796 | 421,796 |
| Contributed surplus | (Note 9) | 5,279,305 | 5,127,412 |
| Deficit | | (31,513,819) | (24,492,047) |
| Accumulated other comprehensive loss | | (1,296,566) | (1,302,777) |
| | | 2,414,001 | 9,277,669 |
| | | $ 6,782,889 | $ 12,777,724 |

Approved and authorized by the Board of Directors on April 29, 2020.

"*Atul Sabharwal*" Director
Atul Sabharwal

"*Sarfaraz Haji*" Director
Sarfaraz Haji

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

SNIPP INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in U.S. Dollars)

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| **REVENUE** | $ 8,643,755 | $ 12,151,286 | $ 12,879,019 |
| **EXPENSES** | | | |
| Salaries and compensation (Note 7) | 5,967,417 | 7,087,464 | 9,175,637 |
| General and administrative | 820,184 | 960,488 | 1,145,136 |
| Campaign infrastructure | 2,292,970 | 4,240,261 | 3,808,721 |
| Professional fees | 270,701 | 210,064 | 265,875 |
| Marketing and investor relations | 257,682 | 298,555 | 92,138 |
| Travel | 95,418 | 114,885 | 86,473 |
| Bad debt expense | 169,139 | 37,194 | 226,085 |
| Amortization of intangible assets (Note 6) | 2,160,987 | 1,952,641 | 1,714,339 |
| Depreciation of equipment (Note 5) | 26,273 | 30,635 | 45,825 |
| Stock-based compensation (Notes 7 & 9) | 151,893 | 257,313 | 560,093 |
| | 12,212,664 | 15,189,500 | 17,120,322 |
| **Net loss before interest, foreign exchange, impairment and taxes** | (3,568,909) | (3,038,214) | (4,241,303) |
| Interest expense | (13,123) | (8,236) | (93,583) |
| Foreign exchange loss | (13,044) | (5,649) | (65,501) |
| Impairment loss (Note 8) | (3,420,858) | - | - |
| Net loss before tax provision | (7,015,934) | (3,052,099) | (4,400,387) |
| Provision for taxes (Note 15) | (5,838) | (44,070) | (43,484) |
| **Net loss for the year** | (7,021,772) | (3,096,169) | (4,443,871) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| **Items that may be reclassified subsequently to loss** | | | |
| Cumulative translation adjustment | 6,211 | (43,099) | 139,930 |
| **Comprehensive loss for the year** | $ (7,015,561) | $ (3,139,268) | $ (4,303,941) |
| **Basic and diluted loss per common share** | $ (0.03) | $ (0.01) | $ (0.03) |
| **Weighted average number of common shares outstanding – basic and diluted** | 226,163,904 | 210,102,756 | 157,529,807 |

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

SNIPP INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net loss for the year | $ (7,021,772) | $ (3,096,169) | $ (4,443,871) |
| Items not involving cash: | | | |
| Amortization of intangible assets | 2,160,987 | 1,952,641 | 1,714,339 |
| Depreciation of equipment | 26,273 | 30,635 | 45,825 |
| Stock-based compensation | 151,893 | 257,313 | 560,093 |
| Impairment loss | 3,420,858 | - | - |
| Changes in non-cash working capital items: | | | |
| Accounts receivable | 299,597 | 1,436,607 | 427,110 |
| Deposits, prepaid expenses and other assets | 281,250 | (218,726) | (211,559) |
| Accounts payable and accrued liabilities | (328,353) | 318,166 | (133,761) |
| Deferred revenue | 1,225,175 | (398,121) | (1,001,741) |
| Due to related parties | (27,989) | 32,272 | (31,638) |
| Net cash flows generated by (used in) operating activities | 187,919 | 314,618 | (3,075,203) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to equipment | (4,770) | (7,725) | (6,315) |
| Additions to intangible assets | (869,210) | (1,006,995) | (1,351,597) |
| Acquisition of Ziploop assets (Note 10) | - | (25,000) | - |
| Net cash flows used in investing activities | (873,980) | (1,039,720) | (1,357,912) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from common shares issued | - | 3,018,950 | 3,375,076 |
| Share issuance costs | - | (109,791) | (19,927) |
| Proceeds from options exercised | - | - | 15,888 |
| Repayment of working capital line of credit | - | (933,159) | (1,066,841) |
| Net cash flows provided by financing activities | - | 1,976,000 | 2,304,196 |
| **Effect of exchange rate changes on cash** | (59,649) | (43,099) | 139,930 |
| **Change in cash for the year** | (745,710) | 1,207,799 | (1,988,989) |
| **Cash and cash equivalents, beginning of year** | 1,594,429 | 386,630 | 2,375,619 |
| **Cash and cash equivalents, end of year** | $ 848,719 | $ 1,594,429 | $ 386,630 |

**Supplemental disclosure regarding cash flows (Note 11)**

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

# SNIPP INTERACTIVE INC.
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in U.S. Dollars)

| | Common Shares | Amount | Warrants | Contributed Surplus | Accumulated Other Comprehensive Loss | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance, December 31, 2016 | 132,536,675 | $ 22,815,647 | $ 421,796 | $ 4,237,448 | $ (1,399,608) | $ (16,952,007) | $ 9,123,276 |
| Private placement shares issued | 45,000,000 | 3,375,076 | - | - | - | - | 3,375,076 |
| Financing issuance costs | | (19,927) | - | - | - | - | (19,927) |
| Stock options exercised | 200,000 | 15,888 | - | - | - | - | 15,888 |
| Stock-based compensation | - | - | - | 560,093 | - | - | 560,093 |
| Cumulative translation adjustment | - | - | - | - | 139,930 | - | 139,930 |
| Net loss for the year | - | - | - | - | - | (4,443,871) | (4,443,871) |
| Balance, December 31, 2017 | 177,736,675 | $ 26,186,684 | $ 421,796 | $ 4,797,541 | $ (1,259,678) | $ (21,395,878) | $ 8,750,465 |
| Private placement shares issued | 37,916,667 | 3,018,950 | - | - | - | - | 3,018,950 |
| Financing issuance costs | | (109,791) | - | - | - | - | (109,791) |
| Fair value of finder's warrants | - | (72,558) | - | 72,558 | - | - | - |
| Ziploop acquisition shares issued (Note 9) | 10,510,562 | 500,000 | - | - | - | - | 500,000 |
| Stock-based compensation | - | - | - | 257,313 | - | - | 257,313 |
| Cumulative translation adjustment | - | - | - | - | (43,099) | - | (43,099) |
| Net loss for the year | - | - | - | - | - | (3,096,169) | (3,096,169) |
| Balance, December 31, 2018 | 226,163,904 | $ 29,523,285 | $ 421,796 | $ 5,127,412 | $ (1,302,777) | $ (24,492,047) | $ 9,277,669 |
| Stock-based compensation | - | - | - | 151,893 | - | - | 151,893 |
| Cumulative translation adjustment | - | - | - | - | 6,211 | - | 6,211 |
| Net loss for the year | - | - | - | - | - | (7,021,772) | (7,021,772) |
| Balance, December 31, 2019 | 226,163,904 | $ 29,523,285 | $ 421,796 | $ 5,279,305 | $ (1,296,566) | $ (31,513,819) | $ 2,414,001 |

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

## 1 NATURE OF OPERATIONS AND GOING CONCERN

Snipp Interactive Inc. (the “Company” or “Snipp”) was incorporated under the *Business Corporations Act* (British Columbia) on January 21, 2010 and its business is to provide a full suite of mobile marketing, rebates and loyalty solutions in the US, Canada and internationally.

Unless otherwise indicated in these consolidated financial statements, references to “$” are to U.S. dollars.

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business.

The registered address, head office, principal address and records office of the Company are located at 219 Dufferin St, Unit 208B, Toronto, Ontario M6K 3J1, Canada.

The consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 2020.

### GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business.

The Company has a working capital deficit of $1,005,468 (2018 - positive $1,189,922), a net loss of $7,015,561, accumulated deficit of $31,513,819 and positive cash flows from operations of $187,919. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent on the Company’s ability to receive continued financial support from its stakeholders and, ultimately, on the Company’s ability to generate continued profitable operations.

The application of the going concern concept is dependent on the Company’s ability to receive continued financial support from its stakeholders and, ultimately, on the Company’s ability to generate profitable operations. Management is of the opinion that sufficient working capital is available from its accounts receivable line of credit and will be obtained from operations to meet the Company's liabilities and commitments as they come due for the next twelve months. These consolidated financial statements do not reflect any adjustments or reclassifications of assets and liabilities which would be necessary if the Company were unable to continue as a going concern.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on IFRS in effect as at December 31, 2019.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Basis of presentation**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned legal subsidiaries Snipp Interactive Inc. (formerly Consumer Impulse, Inc.), which was incorporated in Delaware, USA, Snipp Interactive (India) Private Limited, which was incorporated in India, Snipp Interactive Limited (formerly Swiss Post Solutions Ireland Limited), which was incorporated in Ireland, Snipp Interactive AG, which was incorporated in Switzerland, Hip Digital Media, Inc., which was incorporated in Delaware, USA and Hip Digital Media Inc., which was incorporated in British Columbia, Canada. All material inter-company balances and transactions have been eliminated.

**Equipment**

Equipment is recorded at cost and depreciated over their estimated useful lives as follows:

| | | |
|---|---|---|
| Office Equipment | 3-5 years | Straight-line |
| Computer Equipment | 3-5 years | Straight-line |

**Intangible Assets**

Intangible assets are recorded at cost when internally generated assets and at fair value when acquired during a business acquisition. Intangible assets are amortized over their estimated useful lives as follows:

| | | |
|---|---|---|
| Software Platform | 5 years | Straight-line |
| Acquired intellectual property | 5 years | Straight-line |
| Acquired customer relationships | 5 years | Straight-line |
| Acquired music label contracts | 5 years | Straight-line |

<u>Software platform</u>

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. 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 or sell the software product;
• It can be demonstrated how the software product will generate probable future economic benefits;
• Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
• The expenditure attributable to the software product during its development can be reliably measured.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Software platform (cont'd..)

Costs that qualify for capitalization include both internal and external costs. These costs are amortized over their expected useful lives estimated at 5 years. Residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Acquired intellectual property

The Company acquired intellectual properties from various acquisitions. The acquired intellectual properties are an intelligent learning platform, a customer loyalty management platform and a rewards platform. These acquired intellectual properties are being amortized over the estimated useful life of 5 years.

Acquired customer relationships

The Company acquired customer relationships from various acquisitions. The acquired customer relationships represent the customer base and corresponding contracts that have been generating revenue for the acquired businesses in prior and current fiscal periods. The value of these acquired customer relationships is being amortized over the estimated useful life of 5 years.

Acquired music label contracts

The Company acquired music label contracts from a past acquisition. The acquired music label contracts represent contracts with music labels that provide for the procurement of music content at wholesale pricing and that are then sold for profit to customers as part of customer revenue contracts that have been generating revenue in prior and current fiscal periods. The value of these acquired music label contracts is being amortized over the estimated useful life of 5 years.

Critical judgement and accounting estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period relate to provisions for receivables, depreciation, impairment testing, determining the fair value of identifiable assets acquired and liabilities assumed in a business combination, determining the risk free rate of return, expected volatility and future market conditions when calculating the fair value of stock options and warrants, and determining fair values of financial instruments. Actual results could differ from these estimates due to the underlying uncertainty that could result in a material adjustment to the carrying amounts of assets, liabilities, and equity in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The recoverability of accounts receivable and the expected credit loss allowance that are included in the consolidated statements of financial position are based on historical collection of receivables.

ii) The inputs used in accounting for share-based payments expense included in profit and loss calculated using the Black-Scholes option pricing model (Note 9).

iii) The carrying value of intangible assets (capitalized software development, customer relationships, intellectual property and music label contracts) that are included in the consolidated statements of financial position are based on management assessments of the recoverable amount of the asset. As well, management estimates on the capitalized costs that are directly attributable to the development of the intangible asset (Note 6).

iv) The carrying value of goodwill and intangibles acquired from acquisitions and estimates on any assumptions underlying the analysis of impairment.

v) The purchase price allocation corresponding to completed acquisitions (Note 10).

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Revenue from contracts with customers**

The Company provides a full suite of promotions-related marketing services in the US, Canada and internationally, and generates revenue by designing, constructing, implementing and managing these promotions marketing services for its customers. The Company adopted IFRS 15 on January 1, 2018. IFRS 15 introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. There is no impact to the timing or amounts of revenue recognized in its statement of operations upon the adoption of the standard.

**Arrangements with multiple deliverables**

Many of the Company's arrangements with customers include multiple performance obligations such as campaign development and campaign management which are delivered at varying times. In these cases, the Company treats the delivered items as separate performance obligations of accounting if they have value to the customer on a stand-alone basis and, where the arrangement includes a general right of return relative to the delivered item, delivery or performance of undelivered items is considered probable and substantially in the Company's control. The Company allocates the total arrangement consideration to all performance obligations using its best estimate of their relative fair value, since vendor-specific objective or third-party evidence of the selling price is generally unavailable. It then recognizes revenue on the different performance obligations in accordance with the policies set out above.

**Business combinations**

The acquisition of a business is accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets transferred, the liabilities incurred to former owners of the acquired business, and equity instruments issued by the acquirer in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for income taxes which are measured in accordance with IAS 12, Income Taxes. To the extent that the aggregate of the fair value of consideration paid, the amount of any noncontrolling interest and the fair value of any previously held interest in the acquiree exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent that this excess is negative, the excess is recognized as a gain in income.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Income taxes**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates an laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**Foreign currencies**

IFRS requires that the functional currency of each entity in the consolidated group be determined separately and that each entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian Dollar, the functional currency of its wholly-owned legal subsidiaries are:

Snipp Interactive Inc. (formerly Consumer Impulse, Inc.), - U.S. Dollar;
Snipp Interactive (India) Private Limited, - Indian Rupee;
Snipp Interactive Limited (formerly Swiss Post Solutions Ireland Limited), - European Euro;
Snipp Interactive AG, - Swiss Franc;
Snipp Cann Inc, - U.S. Dollar;
Hip Digital Media, Inc. (USA), - U.S. Dollar; and
Hip Digital Media Inc. (Canada), - Canadian Dollar.

The presentation currency of the Company's consolidated financial statements is the U.S. dollar ("$"). Under IFRS, when the Company translates the financial statements of entities from their functional currency to the presentation currency, assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the end of the reporting period. Share capital, warrants, equity reserves, other comprehensive income, and deficit are translated into U.S. dollars at historical exchange rates. Revenues and expenses are translated into U.S. dollars at the average exchange rate for the period. Foreign exchange gains and losses on translation are included in other comprehensive loss. Within each entity, transactions denominated in foreign currencies are translated into the functional currency using the exchange rate in effect at the dates of the transactions, and monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the end of the reporting period. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in profit or loss.

Foreign exchange gains and losses on intercompany loans receivable from foreign operations, for which settlement is neither planned nor likely to occur in the foreseeable future are recognized in other comprehensive income and accumulated in a separate component of equity, irrespective of the currency the intercompany loan is denominated in. In substance, such an item forms part of the Company's net investment in the foreign operation. Such items are reclassified from equity to profit or loss on disposal of the net investment in foreign operations.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Financial instruments**

(a) Classification

All of the Company's financial instruments are categorizd as amortized cost.

(b) Measurement

Financial assets

Financial assets at FVTOCI
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs.

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value, plus adjustments for transaction costs, and then subsequently measured at amortized cost using the effective interest rate method, with gains and losses recorded as a charge against earnings. Transaction costs related to financial assets measured at fair value, through the consolidated statements of comprehensive loss, are expensed as incurred.

Financial assets at FVTPL
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of operations in the period in which they arise.

Financial liabilities

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

Financial liabilities classified as amortized cost 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, dues to related parties, and working capital line of credit are classified as amortized cost.

(c) Impairment of financial assets at amortized cost

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliability. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For trade receivables, the Company uses a combined approach of specific account identification and a provision matrix to estimate the lifetime expected impairment. For all other financial assets, the Company uses specific identification to determine the amount of expected impairment. Losses are recognized in the consolidated statement of operations and comprehensive loss and reflected as an expected credit loss allowance against the financial asset. When a subsequent event causes the amount of the allowance to decrease, the decrease in allowance is reversed through the consolidated statement of operations and comprehensive loss.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Financial instruments (cont'd…)**

**Impairment**

Non-financial assets

The carrying amounts of the Company's definite-life non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

**Impairment**

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which goodwill relates. Where the recoverable amount of the CGU, including goodwill, is less than its carrying value, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

**Loss per share**

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, all options and warrants were anti-dilutive.

**Share-based payments**

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock based on their fair value over the period of vesting using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to common shares.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

## 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

**Adoption of accounting standards**

Effective January 1, 2019, the Company adopted IFRS 16, "Leases", using the modified approach. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on to the statement of financial position for lessees. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

The Company is a party to lease contracts for office space. Leases are recognized, measured and presented in line with IFRS 16. The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions for short term leases and for leases for which the underlying asset is of low value. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At the inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Based on the accounting policy applied the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which the lessor makes an underlying asset available for use by a lessee. Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases even though the initial term from lease commencement have been more than twelve months.

Effective January 1, 2019, the Company adopted IFRIC 23, which clarifies how to apply the recognition and measurement requirements of IAS 12 - Income Taxes for taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates to determine current or deferred tax asset or liability when there is uncertainty over income tax treatments. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

(Expressed in U.S. Dollars)

## 3 CASH

Cash in the consolidated financial statements of financial position comprise of cash deposits held in financial institutions. The balance at December 31, 2019 consists of cash on deposit with major Canadian and US banks.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash on deposit | $ 848,719 | $ 1,594,429 |
| Total | $ 848,719 | $ 1,594,429 |

## 4 SEGMENTED INFORMATION

IFRS 8 “Operating Segments” defines an operating segment as i) a component of an entity that engages in business activities from which it may earn revenues and incur expenses; ii) whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and iii) for which discrete financial information is available.

The Company’s management and chief operating decision maker reviews performance of the Company on a consolidated basis and has integrated its products and services as one operating segment, which provides a full suite of mobile marketing and loyalty services in the United States, Ireland and internationally.

*Geographic information*

The Company has one operating segment, which provides a full suite of mobile marketing and loyalty services in the United States, Ireland and internationally.

For the Company’s geographically segmented non-current assets (equipment and intangible assets, including goodwill), the Company has allocated based on location of assets as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| United States | $ 799,747 | $ 4,978,846 |
| Ireland | 960,401 | 1,281,621 |
| International | 1,659,321 | 1,827,280 |
| Total | $ 3,419,469 | $ 8,087,747 |

For the Company’s geographically segmented revenue, the Company has allocated revenue based on the location of the customer, as follows:

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| United States | $ 6,026,970 | $ 9,588,256 | $ 10,915,948 |
| Ireland | 1,977,861 | 1,387,842 | 838,422 |
| International | 638,924 | 1,175,188 | 1,124,649 |
| Total | $ 8,643,755 | $ 12,151,286 | $ 12,879,019 |

(Expressed in U.S. Dollars)

## 5 EQUIPMENT

December 31, 2019

| | Opening cost balance | Additions | Impairment | Disposals | Closing cost balance | Opening accumulated depreciation | Depreciation during the year | Closing depreciation balance | Foreign exchange adjustment | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|
| Office Equipment | $ 18,026 | $ - | $ - | $ - | $ 18,026 | $ 15,160 | $ 1,656 | $ 16,816 | $ - | $ 1,210 |
| Computer Equipment | 188,802 | 4,770 | - | - | 193,572 | 148,249 | 24,617 | 172,866 | (145) | 20,561 |
| | $ 206,828 | $ 4,770 | $ - | $ - | $ 211,598 | $ 163,409 | $ 26,273 | $ 189,682 | $ (145) | $ 21,771 |

December 31, 2018

| | Opening cost balance | Additions | Impairment | Disposals | Closing cost balance | Opening accumulated depreciation | Depreciation during the year | Closing depreciation balance | Foreign exchange adjustment | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|
| Office Equipment | $ 18,026 | $ - | $ - | $ - | $ 18,026 | $ 14,729 | $ 431 | $ 15,160 | $ - | $ 2,866 |
| Computer Equipment | 181,077 | 7,725 | - | - | 188,802 | 118,045 | 30,204 | 148,249 | - | 40,553 |
| | $ 199,103 | $ 7,725 | $ - | $ - | $ 206,828 | $ 132,774 | $ 30,635 | $ 163,409 | $ - | $ 43,419 |

## 6 INTANGIBLE ASSETS

December 31, 2019

| | Opening cost balance | Additions | Impairment | Disposals | Closing cost balance | Opening accumulated amortization | Amortization during the year | Closing amortization balance | Foreign exchange adjustment | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|
| Software platform | $ 5,506,345 | $ 869,210 | $ - | $ - | $ 6,375,555 | $ 2,599,226 | $ 1,121,555 | $ 3,720,781 | $ 71,949 | $ 2,726,723 |
| Intellectual property | 3,020,000 | - | - | - | 3,020,000 | 1,826,579 | 604,249 | 2,430,828 | (2,493) | 586,679 |
| Customer relationships | 1,195,000 | - | - | - | 1,195,000 | 872,012 | 239,105 | 1,111,117 | 413 | 84,296 |
| Music label contracts | 980,000 | - | 81,593 | - | 898,407 | 702,329 | 196,078 | 898,407 | - | - |
| | $ 10,701,345 | $ 869,210 | $ 81,593 | $ - | $ 11,488,962 | $ 6,000,146 | $ 2,160,987 | $ 8,161,133 | $ 69,869 | $ 3,397,698 |

December 31, 2018

| | Opening cost balance | Additions | Impairment | Disposals | Closing cost balance | Opening accumulated amortization | Amortization during the year | Closing amortization balance | Foreign exchange adjustment | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|
| Software platform | $ 4,499,350 | $ 1,006,995 | $ - | $ - | $ 5,506,345 | $ 1,606,831 | $ 992,395 | $ 2,599,226 | $ - | $ 2,907,119 |
| Intellectual property | 2,495,000 | 525,000 | - | - | 3,020,000 | 1,301,333 | 525,246 | 1,826,579 | - | 1,193,421 |
| Customer relationships | 1,195,000 | - | - | - | 1,195,000 | 633,008 | 239,004 | 872,012 | - | 322,988 |
| Music label contracts | 980,000 | - | - | - | 980,000 | 506,333 | 195,996 | 702,329 | - | 277,671 |
| | $ 9,169,350 | $ 1,531,995 | $ - | $ - | $ 10,701,345 | $ 4,047,505 | $ 1,952,641 | $ 6,000,146 | $ - | $ 4,701,199 |

(Expressed in U.S. Dollars)

## 7 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company are key management personnel and officers. Related party transactions not disclosed elsewhere included in expenses for the years ended December 31, 2019, 2018 and 2017 are salaries and compensation of $934,577, $968,307 and $1,271,764, respectively, charged by officers and key management personnel of the Company. At December 31, 2019, $49,255 was due to officers and directors (2018 - $77,244). The amounts due to related parties represent unpaid salaries and compensation and unpaid reimbursable expenses. The amounts are non-interest bearing, unsecured and have no specified terms of repayment. During the year ended December 31, 2019, related parties received stock-based compensation of $69,016 (2018 - $94,834 and 2017 - $267,252).

## 8 IMPAIRMENT

The carrying values of goodwill and intangible assets with indefinite lives are tested for impairment annually. The Company completed its annual impairment tests as of December 31, 2019 and has included a summary of the key inputs below for its CGU to which goodwill and indefinite life intangibles have been allocated. The Company's management and chief operating decision maker reviews performance of the Company on a consolidated basis and has integrated its products and services as one operating segment. Consistent with the foregoing, it was concluded that the Company has one CGU, being the consolidated business. All goodwill and indefinite life intangibles acquired in the Company's prior acquisitions were allocated to the Company's only CGU. If the recoverable amount of the CGU exceeds its carrying amount, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. If the carrying amount of the CGU exceeds its recoverable amount, the entity shall recognize the impairment loss in accordance with the accounting requirements as specified under IAS 36. The recoverable amount of a CGU is the higher of the CGU's fair value less costs of disposal ("FVLCD") and its value in use ("VIU") (IAS 36.75). The Company performed its annual impairment test at December 31, 2019 and the recoverable amount of the CGU was determined based on VIU using an income approach with the following key assumptions: i) Forecasted revenue at an average growth rate of 9.2%; ii) Average forecasted earnings before interest, tax, depreciation and amortization ("EBITDA") of 1.2%; and iii) Cash flows were discounted at a pre-tax discount rate of 20.9% based on a market participant weighted average cost of capital. As indicated in the impairment test performed, the recoverable amount was determined to be lower than the carrying amount with a resulting impairment charge of $3,339,265 being recorded, being the entire goodwill balance.

In addition to the impairment assessment of goodwill and intangible assets with indefinite lives, the Company also considered whether any of its definite life intangible assets had indicators of impairment. It was determined that the Company's 'music label contracts' had indicators of impairment and therefore an additional impairment charge of $81,593 was recorded, being the entire 'music label contract' balance. The indicators identified included that there was a cancellation of most of the original music label contracts acquired and that the remaining music label contract still in effect, was not being actively used to generate revenues.

The following key assumptions are subject to volatility and several uncontrollable factors which could significantly affect the present value of the discounted future cash flow, that was used by management as part of this model: i) Discount Rate; ii) Growth Rate; iii) EBITDA Margin. The sensitivity analysis prepared by the Company for the single CGU impairment are as follows:

| **Key Assumptions** | **December 31, 2019** | **Change** | **Impact** | |
|---|---|---|---|---|
| Discount Rate | 16.75% | +/- 1% | $ | 350,000 |
| Growth Rate | 10% | +/- 3% | $ | 10,000 |
| EBITDA Margin | 1.2% | +/- 1% | $ | 360,000 |

## 9 CAPITAL STOCK

### Authorized

Unlimited common shares, without par value
Unlimited preferred shares, without par value, issuable in series:
Unlimited Series 1 voting preferred shares, without par value, redeemable at C$0.0001 per share

### Share issuances

On May 5, 2017, the Company announced a non-brokered private placement financing and closed a first tranche comprised of 14,165,000 common shares at a price of C$0.10 per share for gross proceeds of $1,043,509 (C$1,416,500). On June 23, 2017, the Company closed a second tranche comprised of 28,488,000 common shares at a price of C$0.10 per share for gross proceeds of $2,151,362 (C$2,848,800). On June 29, 2017, the Company closed a third and final tranche comprised of 2,347,000 common shares at a price of C$0.10 per share for gross proceeds of $180,205 (C$234,700). No commissions or finder's fees were paid in connection with the first, second or third tranches. The Company paid legal fees and filing fees of $19,927 (C$26,799) associated with the first, second and third tranches included in financing issue costs.

On February 28, 2018, the Company announced a non-brokered private placement financing and closed a first tranche comprised of 8,500,000 common shares at a price of C$0.10 per share for gross proceeds of $667,165 (C$850,000). On March 12, 2018, the Company closed a second tranche comprised of 8,000,000 common shares at a price of C$0.10 per share for gross proceeds of $623,520 (C$800,000). On March 21, 2018, the Company closed a third tranche comprised of 2,500,000 common shares at a price of C$0.10 per share for gross proceeds of $192,925 (C$250,000). On March 28, 2018, the Company closed a fourth tranche comprised of 6,000,000 common shares at a price of C$0.10 per share for gross proceeds of $465,060 (C$600,000). On April 18, 2018, the Company closed a fifth and final tranche comprised of 10,000,000 common shares at a price of C$0.10 per share for gross proceeds of $792,800 (C$1,000,000) and also closed an over-allotment to the fifth tranche comprised of 2,916,667 common shares at a price of C$0.12 per share for gross proceeds of $277,480 (C$350,000). Commissions of $37,411 (C$48,000), $27,904 (C$36,000) and $28,541 (C$36,000) were paid in connection with the second, fourth and fifth tranches. In addition, 480,000 and 360,000 Finder's Warrants were issued in connection with the second and fourth tranches and 222,000 and 115,000 Finder's Warrants were issued in connection with the fifth tranche and the over-allotment to the fifth tranche. The Finder’s Warrants issued for the second, fourth and fifth tranches entitles the holder to purchase one common share at an exercise price of C$0.10 for a period of 2 years and the Finder's Warrants issued for the over-allotment to the fifth tranche entitles the holder to purchase one common share at an exercise price of C$0.12 for a period of 2 years. The fair value of the Finder’s Warrants was estimated on the date of issuance using the Black-Scholes option pricing model with the following assumptions: 2 year expected life, volatility of 125%, risk-free rate of 1.35% and dividend rate of 0%. The Finder’s Warrants were valued at $25,038 (C$32,125), $22,160 (C$28,590), $16,978 (C$21,415) and $8,382 (C$10,573) respectively, with aggregate amount of $72,558 being deducted from common shares as a cost of financing and a corresponding addition to contributed surplus during the year ended December 31, 2018. Filing fees of $15,935 (C$20,100) were also paid in connection with the fifth tranche.

### Stock options

On October 26, 2018, disinterested shareholders approved and the Company adopted an amended fixed number incentive stock option plan which was previously approved on June 16, 2017 (the “Option Plan”) which provides that a committee of the Board of Directors appointed in accordance with the Option Plan (the “Committee”) may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares (“Options”), reserving 45,232,780 shares, being 20% of the Company’s issued and outstanding shares as at October 26, 2018. Such Options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms are determined at the time of grant by the Committee.

**9 CAPITAL STOCK** (cont'd…)

**Stock options** (cont'd…)

In fiscal 2019, the Company recognized stock-based compensation expense of $151,893 corresponding to the vesting of stock options that were granted during the year ended December 31, 2018 and stock options that were granted during the year ended December 31, 2017. 3,860,667 options granted remain to be vested in future periods.

In fiscal 2018, the Company recognized stock-based compensation expense of $257,313 corresponding to the vesting of stock options that were granted during the year ended December 31, 2018 and stock options that were granted during the year ended December 31, 2017. In fiscal 2018, the Company granted 350,000 options with exercise price of C$0.065 on September 14, 2018 and 3,526,000 options with exercise price of C$0.10 on October 26, 2018. All options granted in fiscal 2018 have a five year expiry date from the date of grant. The options were valued at $13,541, and $150,082 respectively. The following assumptions were used for the Black-Scholes valuation of options granted in fiscal 2018 (Risk-free interest rate: 2.23% - 2.32%; expected life of option: 5.0 years; annualized volatility: 125%; dividend rate: 0.00%). All stock options have been granted wiht exercise price in Canadian dollars.

In fiscal 2017, the Company recognized stock-based compensation expense of $560,093 corresponding to the vesting of stock options that were granted during the year ended December 31, 2017 and stock options that were granted during the year ended December 31, 2016. In fiscal 2017, the Company granted 4,207,000 options on June 13, 2017, 1,739,000 options on June 16, 2017, 500,000 options on November 1, 2017. All options granted in fiscal 2017 have an exercise price of C$0.10 and have a five year expiry date from the date of grant. The options were valued at $262,471, $102,958, and $33,232 respectively. The following assumptions were used for the Black-Scholes valuation of options granted in fiscal 2017 (Risk-free interest rate: 1.13% - 1.60%; expected life of option: 5.0 years; annualized volatility: 125%; dividend rate: 0.00%). All stock options have been granted with exercise price in Canadian dollars.

Stock option activity is presented below:

| | **Number of Options** | **Weighted Average Exercise Price C$** |
|---|---|---|
| Outstanding, December 31, 2017 | 14,625,938 | 0.27 |
| Cancelled | (1,478,766) | 0.18 |
| Granted | 3,876,000 | 0.10 |
| Expired | (1,750,000) | 0.11 |
| Outstanding, December 31, 2018 | 15,273,172 | 0.25 |
| Cancelled | (1,367,533) | 0.27 |
| Expired | (1,825,000) | 0.44 |
| Outstanding, December 31, 2019 | 12,080,639 | 0.22 |

(Expressed in U.S. Dollars)

**9 CAPITAL STOCK** (cont'd…)

**Stock options** (cont'd…)

The weighted average remaining life of the stock options outstanding is 2.32 years as at December 31, 2019. As at December 31, 2019, the following stock options are outstanding and exercisable:

| Number of Options Outstanding | Number of Options Exercisable | Exercise Price C$ | Expiry Date |
|---|---|---|---|
| 270,000 | 270,000 | $0.68 | 09-Feb-20 |
| 25,000 | 25,000 | $0.65 | 26-Mar-20 |
| 100,000 | 100,000 | $0.68 | 08-Jun-20 |
| 674,258 | 674,258 | $0.41 | 09-Jul-20 |
| 405,000 | 405,000 | $0.41 | 13-Aug-20 |
| 85,000 | 85,000 | $0.41 | 15-Sep-20 |
| 200,000 | 200,000 | $0.44 | 05-Oct-20 |
| 200,000 | 200,000 | $0.47 | 14-Oct-20 |
| 400,000 | 400,000 | $0.46 | 19-Oct-20 |
| 60,000 | 60,000 | $0.42 | 10-Nov-20 |
| 1,915,380 | 1,915,380 | $0.38 | 09-Feb-21 to 12-Feb-21 |
| 40,000 | 40,000 | $0.15 | 15-Dec-21 |
| 3,330,001 | 2,220,001 | $0.10 | 13-Jun-22 to 16-Jun-22 |
| 500,000 | 333,333 | $0.10 | 01-Nov-22 |
| 350,000 | 116,667 | $0.065 | 14-Sep-23 |
| 3,526,000 | 1,175,333 | $0.10 | 26-Oct-23 |
| 12,080,639 | 8,219,972 | | |

295,000 options listed in the above table with expiry dates of 09-Feb-20 and 26-Mar-20, have expired subsequent to December 31, 2019.

(Expressed in U.S. Dollars)

**9 CAPITAL STOCK** (cont'd…)

**Warrants**

| | Equity Classification | |
|---|---|---|
| | **Number of Shares** | **Weighted Average Exercise Price C$** |
| Outstanding, December 31, 2016 | 25,408,646 | 0.37 |
| Expired – Financing warrants | (11,492,158) | 0.63 |
| Expired – Financing warrants | (7,727,800) | 0.20 |
| Outstanding, December 31, 2017 | 6,188,688 | 0.13 |
| Expired – Financing warrants | (6,188,688) | 0.13 |
| Outstanding, December 31, 2018 and 2019 | - | - |

| **Finder's Warrants** | **Number of Shares** | **Average Exercise Price** C$ |
|---|---|---|
| Outstanding, December 31, 2016 and 2017 | - | - |
| Issued | 1,177,000 | 0.10 |
| Outstanding, December 31, 2018 and 2019 | 1,177,000 | 0.10 |

Each Finder's Warrant entitles the holder to purchase one common share at the applicable exercise price for a period of 2 years from the date of issuance.

The following assumptions were used for the Black-Scholes valuation of the Finder's Warrants issued during the year ended December 31, 2018:

| | |
|---|---|
| Risk-free interest rate | 1.35% |
| Expected life of warrants | 2.0 years |
| Annualized volatility | 125% |
| Dividend rate | 0.00% |

As at December 31, 2019 the following Finder's Warrants are outstanding:

| **Number of Common Shares Issuable** | **Weighted Average Exercise Price C$** | **Expiry Date** |
|---|---|---|
| 480,000 | 0.10 | 12-Mar-20 |
| 360,000 | 0.10 | 28-Mar-20 |
| 222,000 | 0.10 | 18-Apr-20 |
| 115,000 | 0.12 | 18-Apr-20 |
| 1,177,000 | 0.10 | |

All of the Finder's Warrants listed in the table above expired subsequent to December 31, 2019.

(Expressed in U.S. Dollars)

## 10 ACQUISITION OF ZIPLOOP ASSETS

On September 17, 2018, the Company acquired substantially all of the assets of Ziploop, Inc., a Delaware corporation ("Ziploop"), consisting primarily of Ziploop's proprietary intellectual property assets (the "Acquisition"), as per the asset purchase agreement (the "Purchase Agreement") with Ziploop dated September 7, 2018. The purchase price of the Acquisition is $525,000 (C$686,884) which has been paid in full by the issuance of 10,510,562 common shares (the "Shares") at a price of CAN$0.062 per share and a cash payment of $25,000. The Shares are subject to a six-month hold period. Prior to closing the Company paid $25,000 as an exclusivity payment as per the letter of intent (the "LOI") dated August 3, 2018. The acquired intellectual property provides an intelligent learning platform that when added to Snipp's existing receipt processing platform, will result in a smarter, faster and more robust technology suite.

The fair value of the consideration to Ziploop was calculated as follows:

| | | |
|---|---|---|
| Exclusivity payment | $ | 25,000 |
| Purchase price based on issuance of Shares | | 500,000 |
| Consideration Payable | $ | 525,000 |

The Company's purchase price allocation is as follows:

| | | |
|---|---|---|
| Intellectual Property | $ | 525,000 |
| | $ | 525,000 |

## 11 SUPPLEMENTAL DISCLOSURE REGARDING CASH FLOWS

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|---|
| Cash paid during the year for interest | 13,123 | 8,236 | 93,583 |
| Cash paid during the year for income taxes | 5,838 | 44,070 | 43,484 |
| Transactions not involving cash: | | | |
| Fair value of acquisition consideration payable in equity (Note 10) | - | 500,000 | - |

## 12 CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Company has a working capital line of credit as well as deferred revenue, due to related parties, accounts payable and accrued liabilities in the ordinary course of operations. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements.

## 13 COMMITMENTS

The Company has leased office space in the US, Canada and Ireland. The remaining terms of the leases in the various locations range from 1 to 5 years. Future remaining minimum lease payments as at December 31, 2019 are as follows:

| | | |
|---|---|---|
| 2020 | $ | 91,159 |
| 2021 | | 30,845 |
| 2022 | | 30,845 |
| 2023 | | 30,845 |
| 2024 | | 10,282 |
| | $ | 193,976 |

## 14 FINANCIAL INSTRUMENTS

### Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, accounts receivable excluding sales tax, due to related parties, accounts payable and accrued liabilities and working capital line of credit approximate their fair value because of the short-term nature of these instruments.

### Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

*Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and accounts receivable excluding sales tax. The Company places its cash with major financial institutions to limit risk from cash. The maximum exposure to credit risk is equal to the fair value or carrying value of the related financial assets. The Company's receivables consist of amounts due from customers. Some customers settle their accounts past normal trade terms and in cases where amounts become uncollectible the Company recognizes bad debt expense to write off the uncollectible amounts. At December 31, 2019, the Company had $244,518 (December 31, 2018 - $155,976) in amounts due from customers greater than 90 days and during fiscal 2019 recognized bad debt expense of $169,139 (2018 - $37,194 and 2017 - $226,085).

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. Management is of the opinion that sufficient working capital is available from its financings and will be obtained from operations to meet the Company's liabilities and commitments as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

In Fiscal 2016, the Company secured a four-million-dollar credit facility with Silicon Valley Bank. The credit facility was an accounts receivable line of credit to provide the Company with additional working capital and was secured by the Company's accounts receivable and intellectual property, consisting of all recognized and unrecognized intangible assets. As at December 31, 2017, the Company had drawn on $933,159 of the credit facility. The credit facility had a maturity date of November 22, 2017, which was extended to February 28, 2018 and was fully repaid on March 2, 2018. The credit facility bore interest at a range of prime plus 1.25% to 2.5%. The Company announced on May 31, 2018 that it secured a two-million-dollar credit facility with Bridge Bank. The credit facility is an accounts receivable line of credit to provide the Company with additional working capital and is secured by the Company's accounts receivable and intellectual property, consisting of all recognized and unrecognized intangible assets. As at December 31, 2019, the Company had a zero balance on the credit facility. The credit facility bears interest at prime plus 1.75%. During the year ended December 31, 2019, the Company incurred $13,123 in interest expense, during the year ended December 31, 2018, the Company incurred $8,236 in interest expense and during the year ended December 31, 2017, the Company incurred $93,583 in interest expense.

## 14 FINANCIAL INSTRUMENTS (cont'd…)

*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 commodity and equity prices. Such fluctuations may be significant.

*a) Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's, obligations are not considered significant. A plus or minus 1% change in interest rates would affect profit or loss and comprehensive profit or loss by approximately $nil (2018 - $16,000).

*b) Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2019, the Company held cash as well as accounts payable and accrued liabilities denominated in the Canadian dollar, European Euro, Swiss Franc, and Indian Rupee and considers foreign currency risk low. The majority of the Company's foreign currency amounts are held in Canadian dollars. A plus or minus 1% change in Canadian foreign exchange rates would affect profit or loss and comprehensive profit or loss by less than $5,000 (2018 - $1,000).

The following table summarizes the Company's exposure to the Canadian currency:

| | December 31, 2019 C$ | December 31, 2018 C$ |
|---|---|---|
| Cash and cash equivalents | 159,558 | 73,202 |
| Accounts receivable | 59,913 | 257,492 |
| Accounts payable and accrued liabilities | (646,378) | (653,150) |
| Total | (426,907) | (322,456) |

(Expressed in U.S. Dollars)

## 15 INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2018 - 27%) to the effective tax rate is as follows:

| | Year ended December 31, 2019 | Year ended December 31, 2018 | Year ended December 31, 2017 |
|---|---|---|---|
| Net loss before income taxes | $ (7,015,934) | $ (3,052,099) | $ (4,400,387) |
| Expected income tax recovery at statutory rates | (1,894,302) | (824,070) | (1,144,101) |
| Effect on income taxes of: | | | |
| Difference in foreign tax rates | - | - | 118,040 |
| Tax rate changes and adjustments | (110,711) | 67,620 | 1,414,049 |
| Prior year true-ups | - | 40,540 | (322,023) |
| Non-deductible expenses | 1,012,080 | 142,490 | 212,376 |
| Share issuance cost booked directly to equity | - | (49,230) | - |
| Foreign exchange rate translation adjustments | 53,866 | 42,670 | (175,106) |
| Utilization of losses not previously recognized | - | - | (123,309) |
| Change in tax benefits not recognized | 944,896 | 624,050 | 63,558 |
| Income tax expense | $ 5,829 | $ 44,070 | $ 43,484 |

The following table summarizes the components of deferred tax:

| | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Deferred tax assets: | | | |
| Operating tax losses carried forward - US | $ 63,001 | $ 206,770 | $ 547,512 |
| Deferred tax liabilities: | | | |
| Equipment and intangible assets | $ (63,001) | $ (200,230) | $ (547,512) |
| Reserves | - | (6,540) | - |
| | (63,001) | (206,770) | (547,512) |
| Net deferred tax liability | $ - | $ - | $ - |

(Expressed in U.S. Dollars)

## 15 INCOME TAXES (cont'd…)

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:

| | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Deferred tax assets: | | | |
| Other temporary differences | - | - | 16,390 |
| Equipment | 2,728,379 | 1,463,307 | 1,408,601 |
| Share issuance and financing costs | 142,959 | 381,882 | 458,062 |
| Non-capital loss carry forwards | 33,342,406 | 30,859,380 | 27,863,262 |
| | 36,213,744 | 32,704,569 | 29,746,315 |

The Canadian and U.S. operating tax loss carry forwards expire as noted in the table below. The remaining dedcutible 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 and U.S. net operating loss expire as follows:

| Year | Canada | Year | USA |
|---|---|---|---|
| 2026 | 488,460 | 2026 | - |
| 2027 | 1,907,400 | 2027 | - |
| 2028 | 2,832,040 | 2028 | 571,770 |
| 2029 | 241,350 | 2029 | - |
| 2030 | 170,140 | 2030 | 598,993 |
| 2031 | 176,600 | 2031 | 25,283 |
| 2032 | 563,670 | 2032 | 721,937 |
| 2033 | 595,080 | 2033 | 570,629 |
| 2034 | 399,340 | 2034 | 3,247,280 |
| 2035 | 2,157,950 | 2035 | 2,587,802 |
| 2036 | 2,580,430 | 2036 | 3,578,722 |
| 2037 | 2,311,530 | 2037 | 305,014 |
| 2038 | 2,236,350 | 2038 | - |
| 2039 | 2,593,560 | 2039 | - |
| Indefinite | - | Indefinite | 240,890 |
| | 19,253,900 | | 12,448,320 |

## 16 SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China. Since then, the COVID-19 coronavirus has spread to multiple countries, including the United States, Canada and Ireland. As the COVID-19 coronavirus continues to spread in the United States, Canada, Ireland and internationally, we may experience disruptions that could severely impact our business. The global outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in the United States, Canada, Ireland and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States, Canada, Ireland and other countries to contain and treat the disease.

On April 27, 2020, the Company voluntarily filed a Form 15F with the United States Securities and Exchange Commission to terminate the registration of its common shares under Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and its corresponding reporting obligations under Section 13(a) of the Exchange Act.