YANGAROO Inc.

Financial Statements

For the Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of YANGAROO Inc.

We have audited the accompanying financial statements of YANGAROO Inc., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 and the statements of net 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of YANGAROO Inc. as at December 31, 2017 and December 31, 2016, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(c) in the financial statements which indicates that the Company has material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
April 19, 2018

YANGAROO Inc.

Statements of Financial Position
As at
(Expressed in Canadian dollars)

	December 31 2017	December 31 2016
Assets		
Current		
Cash	**$ 1,215,554**	$ 354,579
Accounts receivable (note 14)	**1,661,115**	1,590,176
Prepaid and sundry assets	**311,274**	218,802
	3,187,943	2,163,557
Property and equipment (note 4)	**222,122**	114,029
	$ 3,410,065	$ 2,277,586
Liabilities		
Current		
Trade and other payables (note 6)	**$ 882,534**	$ 614,821
Deferred revenue	**14,844**	88,356
Finance lease obligation (note 4)	**64,536**	52,475
Loan payable (note 15)	**-**	200,000
Contractual severance payable (note 19)	**265,188**	-
	1,227,102	955,652
Debentures (note 16)	**469,656**	-
Accrued interest on debentures (note 16)	**42,222**	-
Finance lease obligation (note 4)	**71,815**	22,504
Contractual severance payable (note 19)	**79,594**	-
	1,890,389	978,156
Shareholders' Equity		
Share capital (note 7)	**32,545,388**	32,532,328
Warrant capital (note 9)	**203,824**	173,873
Contributed surplus (note 8)	**6,130,476**	6,030,469
Deficit	**(37,360,012)**	(37,437,240)
	1,519,676	1,299,430
	$ 3,410,065	$ 2,277,586

Going concern (note 2(c))
Commitments and contingencies (note 11)
Subsequent event (note 22)

Approved by the Board **"Gerry Hurlow"** Director **"Howard Atkinson"** Director

YANGAROO Inc.

Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
Revenue (note 18)	**$ 7,655,166**	$ 5,336,831
Commission (note 20)	**398,078**	280,685
Post-production costs (note 20)	**68,685**	59,732
	466,763	340,417
Revenue, net of commission and production costs	**7,188,403**	4,996,414
Expenses		
Salaries and consulting (notes 8 & 13)	**5,342,586**	4,386,689
Marketing and promotion	**396,658**	447,745
General and administrative	**865,893**	700,635
Technology development (note 17)	**164,568**	53,474
Depreciation of property and equipment (note 4)	**115,437**	125,651
	6,885,142	5,714,194
Income (loss) from operations	**303,261**	(717,780)
Other income (expenses)		
Interest income	**1,107**	530
Interest expense	**(70,319)**	(40,354)
Foreign exchange loss	**(152,913)**	(58,698)
Financing costs	**-**	(12,357)
	(222,125)	(110,879)
Net income (loss) before income tax	**81,136**	(828,659)
Corporate income tax	**(3,908)**	(6,274)
Net income (loss) and comprehensive income (loss)	**$ 77,228**	$ (834,933)
Basic income (loss) per share (note 10)	**$ 0.001**	$ (0.014)
Diluted income (loss) per share (note 10)	**$ 0.001**	$ (0.014)

YANGAROO Inc.

Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	Share capital	Warrant capital	Contributed surplus	Deficit	Total
Balance at December 31, 2015	$32,072,474	$1,504,615	$4,469,080	$(36,602,307)	$1,443,862
Private placement (note 7)	459,854	173,873	-	-	633,727
Expiry of warrants (note 9)	-	(1,504,615)	1,504,615	-	-
Share-based payments (note 8)	-	-	56,774	-	56,774
Loss for the year	-	-	-	(834,933)	(834,933)
Balance at December 31, 2016	$32,532,328	$173,873	$6,030,469	$(37,437,240)	$1,299,430
Issuance of warrants (notes 9 & 16)	-	29,951	-	-	29,951
Share-based payments (note 8)	-	-	105,067	-	105,067
Exercise of options (notes 7 & 8)	13,060	-	(5,060)	-	8,000
Income for the year	-	-	-	77,228	77,228
Balance at December 31, 2017	**$32,545,388**	**$203,824**	**$6,130,476**	**$(37,360,012)**	**$1,519,676**

YANGAROO Inc.

Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
Cash flow from (used in) operating activities		
Net income (loss) for the year	**$ 77,228**	$ (834,933)
Items not affecting cash:		
Depreciation of property and equipment (note 4)	**115,437**	125,651
Bad debt expense	**120,889**	16,934
Share-based payments (note 8)	**105,067**	56,774
Accretion of contractual severance payable (note 19)	**1,756**	-
Accrued contractual severance payable (note 19)	**343,027**	-
Unrealized foreign exchange loss	**90,280**	53,921
Accretion of interest (note 16)	**9,727**	-
Accrued interest on debentures (note 16)	**42,222**	-
Changes in non-cash operating working capital:		
Accounts receivable	**(229,757)**	(255,651)
Prepaid and sundry assets	**(90,075)**	(15,144)
Trade and other payables	**281,581**	39,451
Deferred revenue	**(73,512)**	60,168
Net cash from (used in) operating activities	**793,870**	(752,829)
Cash flow used in investing activities		
Acquisition of property and equipment	**(93,135)**	(12,789)
Net cash used in investing activities	**(93,135)**	(12,789)
Cash flow from financing activities		
Proceeds from issuance of common shares, net of share issuance costs	**-**	633,727
Proceeds from issuance of debentures, net of issuance costs (note 16)	**489,880**	-
Payment of finance lease obligation	**(71,421)**	(80,446)
Advances from (repayment of) loan payable (note 15)	**(200,000)**	200,000
Exercise of options (notes 7 & 8)	**8,000**	-
Net cash received from financing activities	**226,459**	753,281
Net increase (decrease) in cash	**927,194**	(12,337)
Effect of foreign exchange on cash	**(66,219)**	(29,789)
Cash at January 1	**354,579**	396,705
Cash at December 31	**$ 1,215,554**	$ 354,579
Cash interest paid	**$ 16,613**	$ 40,354
Finance lease additions	**$ 132,793**	$ -

1. Nature of Operations

YANGAROO Inc. ("Company") is a technology company that is the provider of user friendly and secure business to business distribution of media via the Internet. The Company's patented Digital Media Distribution System (DMDS) is a secure B2B digital media management solution for the entertainment and advertising industries. DMDS is an end to end technology solution that provides a fully integrated work flow based digital distribution and data management solution. DMDS provides audio and video content for music, music videos, and advertising to television, radio, media, retailers, award shows and other authorized recipients with more accountable, effective, and far less costly digital distribution of broadcast quality media via the Internet.

YANGAROO Inc. is a publicly listed company incorporated on July 28, 1999 under the laws of Ontario as Musicrypt.com Inc. and changed to its present name on July 17, 2007. YANGAROO trades on the TSX Venture Exchange (TSX-V) under the symbol YOO and in the U.S. under OTCBB: YOOIF.

The address of the Company’s corporate office and principal place of business is 67 Mowat Avenue, Suite 535, Toronto, Ontario, M6K 3E3.

2. Basis of Preparation

(a) Basis of compliance

These audited financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Board of Directors on April 19, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except certain financial instruments recorded at fair value through profit and loss.

The financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

2. Basis of Preparation (continued)

(b) Basis of measurement (continued)

(i) Share-based payments

Share-based payments which include stock options granted to employees, officers and directors and warrants granted to agents and debenture holders, to the extent that they are not measured at the fair value of the services received, are based on the fair value at the date of the award. These share-based payments are valued using the Black-Scholes option pricing model, which includes inputs that require management's estimates and assumptions (notes 8 & 9).

(ii) Revenue recognition

The Company uses estimates to determine the percentage of completion of certain milestones for the awards management revenue stream.

(iii) Investment tax credits

The Company uses judgment to determine the reasonable assurance of collection and estimates the valuation of investment tax credits to be accrued.

(iv) Functional currency

The Company uses judgment to determine the Company's functional currency.

(v) Collectability of accounts receivable

The Company determines its allowance for bad debts on an individual account basis. When an account appears unlikely to be collectible for a significant period of time, the Company will exercise judgement and estimate an accrual for bad debt expense.

(c) Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended December 31, 2017, the Company reported net income of $77,228 (2016 - net loss of $834,933) and received net cash in operating activities of $793,870 (2016 - used net cash of $752,829). Although the Company has generated net income and positive cash flows from operations during the year ended December 31, 2017, the Company has a deficit of $37,360,012 (2016 - $37,437,240). The Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations or to obtain additional financing. However, there is no assurance that the outcome of these matters will be successful and, as a result, there are material uncertainties that cause significant doubt regarding the going concern assumption. To date, the Company has been successful raising capital and obtaining additional financing (notes 7 & 16).

2. Basis of Preparation (continued)

(c) Going concern (concerned)

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. Such adjustments could be material.

3. Significant Accounting Policies

The accounting policies set below have been applied consistently to all years presented in these financial statements.

(a) Cash

Cash in the statements of financial position is comprised of cash held at a major financial institution.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise of accounts receivable, cash, trade and other payables, finance lease obligation, loan payable, debentures and severance payable. Non-derivatives financial instruments are recognized initially at the fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition, accounts receivable, trade and other payables, finance lease obligation, loan payable, debentures and severance payable are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has designated cash as fair value through profit or loss.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(iii) Fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In establishing fair value, the Company uses a fair value hierarchy based on the levels as defined below:

- Level 1 fair value measurements are based on unadjusted quoted market prices.
- Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.
- Level 3 fair value measurements are those with inputs for the asset or liability that are not based on observable market data.

Cash is classified as Level 1 in the fair value hierarchy.

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured initially at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within general and administrative expenses in the statement of comprehensive loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive loss as incurred.

3. Significant Accounting Policies (continued)

(c) Property and equipment (continued)

(iii) Depreciation

Depreciation is calculated based on the cost of the asset less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

- Office furniture and equipment - 5 years
- Computer equipment - 3 years
- Computer software - 3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset.

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 original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of comprehensive loss.

3. Significant Accounting Policies (continued)

(d) Impairment (continued)

(ii) Non-financial assets

Other non-financial assets, comprised of property and equipment, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of its value in use and fair value less costs of disposal, the asset is written down to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss in respect of other assets is assessed at each reporting date 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.

(e) Research and development

Research costs are charged to the statement of comprehensive loss when incurred. Development costs are expensed in the year incurred unless they meet the criteria under IFRS for deferral and amortization. Amortization commences with the successful commercial production or use of the product or process.

Investment tax credits (“ITCs”) arising from research and development are recognized when their realization is reasonably assured and are recorded in prepaid and sundry assets on the statement of financial position. ITCs earned with respect to current expenditures for qualified research and development activities are included in the statement of comprehensive loss as a reduction of research and development costs. ITCs associated with capital expenditures are reflected as reductions in the carrying amounts of the assets.

3. Significant Accounting Policies (continued)

(f) Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance expenses in the statement of comprehensive loss.

Operating lease payments are recognized as an operating expense in net income on a straight-line basis over the lease term.

(g) Share capital – common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. When the Company issues equity units, the proceeds are allocated among equity components using the residual method in which the proceeds are allocated first, based on the fair value of the warrants and the remainder allocated to the shares.

(h) Warrants

For transactions involving the issuance of warrants, the Company measures these transactions at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the Company measures these transactions by reference to the fair value of the equity instruments granted. Upon exercise of the warrant, consideration received, together with the amount previously recognized in warrant capital, is recorded as an increase to share capital. Upon expiry of the warrant, the amount previously recognized in warrant capital is transferred to contributed surplus.

(i) Share-based payments

The grant date fair value of options awarded to employees, directors, and service providers who perform employee-like services is measured using the Black-Scholes option pricing model and recognized in the statement of comprehensive loss, with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

3. Significant Accounting Policies (continued)

(j) Revenue

(i) Advertising and audio/video delivery

Revenue is recorded when persuasive evidence of an agreement exists, usually in the form of an executed sales agreement, the significant risks and rewards of ownership have been transferred to the buyer, the distribution of the media has occurred and collectability is reasonably assured and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(ii) Awards management

The Company recognizes revenue related to awards management projects based on the percentage of completion of certain milestones during the project. These milestones are mutually set by the Company and its customers. Due to percentage of completion of certain milestones, there could be differences between the timing of billings and the amount of work completed at a point in time. Work performed on contracts where the contract milestones have not been met are recognized as work in process or unbilled revenue. Billings which exceed the amount of work performed at a point in time are recognized as deferred revenue. Deferred revenue consists of customer advances for Company services to be rendered that will be recognized as income in future periods.

(k) Other income and expenses

Other expenses comprise of interest expense on borrowings, foreign exchange gains and losses, and accretion on debentures and contractual severance payable.

3. Significant Accounting Policies (continued)

(l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except for items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net earnings in the year of change.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(m) Income (loss) per share

Basic income (loss) per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the period.

Diluted income (loss) per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When there is a loss, no potential shares are included in the computation as they are anti-dilutive.

3. Significant Accounting Policies (continued)

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(o) Statement of cash flows

The Company prepares its Statements of Cash Flows using the indirect method. The Company classifies interest received and paid as part of operating activities in the statement of cash flows.

(p) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in the statement of income.

(q) New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are applicable for accounting periods beginning after December 31, 2017, are as follows:

- IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

3. Significant Accounting Policies (continued)

(q) New standards and interpretations not yet adopted (continued)

- In May 2014, IASB issued *IFRS 15 Revenue from Contracts with Customers*. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: *IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services.*
- Effective for annual periods beginning on or after January 1, 2019, *IFRS 16 Leases* was issued by the IASB in January 2016 and will replace *IAS 17 Leases*. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. Earlier application is permitted only if the Company early adopts IFRS 15.

The Company is currently evaluating the impact of the above mentioned standards on its financial statements. IFRS 15 may impact the timing of revenue for the awards management revenue stream.

(r) New standards and interpretations adopted

The Company adopted the following standard during the year ended December 31, 2017:

- On January 7, 2016, the IASB issued Disclosure Initiative (amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. The amendments required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The Company adopted the amendments to IAS 7 in these financial statements with no material change.

(Expressed in Canadian dollars)

4. Property and Equipment

	Office furniture and equipment	Computer equipment	Computer software	Leasehold improvements	Total
Carrying amount - January 1, 2016	$ 6,778	$ 163,078	$ 57,035	$ -	$ 226,891
Additions	-	12,789	-	-	12,789
Depreciation expense	(2,466)	(93,681)	(29,504)	-	(125,651)
Carrying amount - December 31, 2016	$ 4,312	$ 82,186	$ 27,531	$ -	$ 114,029
Additions	7,118	145,491	62,675	8,247	223,531
Disposals	(10,654)	(128,388)	(35,940)	(14,791)	(189,773)
Depreciation expense	(2,301)	(80,131)	(32,330)	(675)	(115,437)
Disposal of accumulated depreciation	10,654	128,388	35,939	14,791	189,772
Carrying amount - December 31, 2017	**$ 9,129**	**$ 147,546**	**$ 57,875**	**$ 7,572**	**$ 222,122**

December 31, 2017	**Cost**	**Accumulated amortization**	**Net**
Office furniture and equipment	**$ 34,367**	**$ 25,238**	**$ 9,129**
Computer equipment	**584,025**	**436,479**	**147,546**
Computer software	**254,638**	**196,763**	**57,875**
Leasehold improvements	**8,247**	**675**	**7,572**
	$ 881,277	**$ 659,155**	**$ 222,122**

December 31, 2016	Cost	Accumulated amortization	Net
Office furniture and equipment	$ 37,903	$ 33,591	$ 4,312
Computer equipment	566,922	484,736	82,186
Computer software	227,903	200,372	27,531
	$ 832,728	$ 718,699	$ 114,029

(Expressed in Canadian dollars)

4. Property and Equipment (continued)

Obligation under finance lease

The Company has assumed finance lease obligations until 2020 with purchase options at the end of each lease term. The monthly lease payments consist of principal repayment and interest and the weighted average imputed interest rate is 6.76%. The minimum payments under the finance lease are as follows:

2018	$	71,275
2019		46,516
2020		26,634
		144,425
Less: imputed interest		(8,074)
		136,351
Less: current portion		(64,536)
Long term portion	**$**	**71,815**

Included in property and equipment are computer equipment under finance leases with a cost of $443,837 (2016 - $313,440). Accumulated depreciation for items under finance leases is $314,812 (2016 - $246,489).

5. Operating Line of Credit

The Company has available an operating line of credit of $20,000. Borrowings under the operating line of credit are due on demand and bear interest at prime plus 2.5% per annum and are secured by a general security agreement. As of December 31, 2017, the Company had a balance outstanding of $Nil (December 31, 2016 - $Nil) on this line of credit.

6. Trade and Other Payables

	December 31 2017	December 31 2016
Trade payables	**$ 185,584**	$ 255,565
Non-trade payables	**696,950**	359,256
	$ 882,534	$ 614,821

(Expressed in Canadian dollars)

7. Share Capital

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

The following is a summary of changes in common share capital from January 1, 2016 to December 31, 2017:

	Number of shares	Value
Balance at January 1, 2016	56,188,448	$ 32,072,474
Issued for cash on July 8, 2016[(a)]	3,744,692	341,360
Issued for cash on July 20, 2016[(b)]	1,275,000	118,494
Balance at December 31, 2016	61,208,140	$ 32,532,328
Exercise of options on October 6, 2017[(c)]	80,000	13,060
Balance at December 31, 2017	**61,288,140**	**$ 32,545,388**

(a) The Company issued 3,744,692 units at a price of $0.13 per unit for gross proceeds of $486,810 by way of a private placement. Share issuance costs of $12,364 have been netted against share capital and $133,086 has been allocated to 1,872,345 warrants issued to investors in connection with the private placement.

(b) The Company issued 1,275,000 units at a price of $0.13 per unit for gross proceeds of $165,750 by way of a private placement. Share issuance costs of $6,469 have been netted against share capital and $40,787 has been allocated to 637,500 warrants issued to investors in connection with the private placement.

(c) The Company exercised 80,000 options at a price of $0.10 per unit for gross proceeds of $8,000. The initial value of $5,060 related to the options' original issuance was reclassified from contributed surplus to share capital.

(Expressed in Canadian dollars)

8. Share-Based Payments

The Company revised its stock option plan from a 10% rolling stock option plan to a 12% fixed plan (the "Plan"), in which the total number of options shall not exceed 7,344,976, which is 12% of the issued and outstanding number of shares as of the date of approval. The Plan was approved at the Company's Annual Meeting of the Shareholders held on June 28, 2017.

The Company had issued stock options to acquire common shares as follows:

	Weighted average exercise price	Outstanding options	Vested options	Weighted average remaining life (years)
Balance at January 1, 2016	$ 0.370	4,742,048	4,000,798	2.79
Granted	0.150	317,500		
Expired	0.670	(656,524)		
Forfeited	0.250	(288,750)		
Balance at December 31, 2016	$ 0.310	4,114,274	3,943,274	2.26
Granted	0.110	1,855,000		
Expired	1.000	(350,274)		
Forfeited	0.170	(130,000)		
Exercised	0.100	(80,000)		
Balance at December 31, 2017	**$ 0.200**	**5,409,000**	**4,300,500**	**2.26**

For the year ended December 31, 2017, the fair value of the options granted was $131,679 (2016 - $42,383).

The estimated fair value of the options is expensed over the vesting period. The options vest 10% on the date of grant, and the remaining 90% vest as to a third on each 6-month anniversary following the date of grant. The compensation expense and charge to contributed surplus relating to the stock options for the year ended December 31, 2017 was $105,067 (2016 - $56,774). The fair value of all the Company's stock options was estimated using the Black-Scholes option pricing model. Stock options granted during the year ended December 31, 2017 used the following weighted average assumptions:

	December 31 2017	December 31 2016
Volatility (based on historical share prices)	**94%**	108%
Risk-free interest rate	**1.09%**	0.61%
Expected life (years)	**5.00**	5.00
Dividend yield	**Nil**	Nil
Forfeiture rate	**12%**	20%
Underlying share price	**$0.10**	$0.17

(Expressed in Canadian dollars)

8. Share-Based Payments (continued)

The Company had the following stock options outstanding at December 31, 2017:

Number of options	Number of non-vested options	Number of vested options	Exercise price	Expiry date
1,600,000	-	1,600,000	$0.250	October 1, 2018
750,000	-	750,000	$0.340	March 3, 2019
25,000	-	25,000	$0.300	May 28, 2019
27,000	-	27,000	$0.350	June 20, 2019
57,500	-	57,500	$0.280	September 2, 2019
2,500	-	2,500	$0.120	November 21, 2019
957,500	-	957,500	$0.180	January 26, 2020
250,000	-	250,000	$0.150	January 11, 2021
5,000	1,500	3,500	$0.115	September 6, 2021
1,159,500	739,500	420,000	$0.100	January 10, 2022
500,000	300,000	200,000	$0.140	May 1, 2022
75,000	67,500	7,500	$0.120	August 25, 2022
5,409,000	**1,108,500**	**4,300,500**	**$0.200**	

9. Warrants

The Company had issued warrants to acquire common shares as follows:

	Number of warrants	Amount	Weighted average exercise price
Balance at January 1, 2016	10,250,591	$ 1,504,615	$ 0.32
Warrants granted	1,872,345	133,086	0.20
Warrants granted	637,500	40,787	0.20
Warrants expired	(534,567)	(86,931)	0.30
Warrants expired	(283,734)	(52,281)	0.30
Warrants expired	(6,200,000)	(826,150)	0.35
Warrants expired	(70,000)	(8,555)	0.30
Warrants expired	(443,200)	(64,641)	0.25
Warrants expired	(2,382,726)	(429,057)	0.25
Warrants expired	(336,364)	(37,000)	0.35
Balance at December 31, 2016	2,509,845	$ 173,873	$ 0.20
Warrants issued	500,000	29,951	0.15
Balance at December 31, 2017	**3,009,845**	**$ 203,824**	**$ 0.19**

(Expressed in Canadian dollars)

9. Warrants (continued)

The Company had the following warrants outstanding and exercisable at December 31, 2017:

Number of warrants		Exercise price	Expiry date
1,872,345	(i)	$0.20	July 8, 2019
637,500	(ii)	$0.20	July 20, 2019
500,000	(iii)	$0.15	February 24, 2020
3,009,845			

(i) These warrants were issued as part of the private placement of units. The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 93%; (III) a risk free interest rate of 0.48% and (IV) an expected life of 3 years.

(ii) These warrants were issued as part of the private placement of units. The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 93%; (III) a risk free interest rate of 0.57% and (IV) an expected life of 3 years.

(iii) These bonus warrants were issued to lenders in connection with the issuance of debentures (notes 13 & 16). The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 88%; (III) a risk free interest rate of 0.87% and (IV) an expected life of 3 years.

Except where noted above, warrants issued to agents and related to financings were not measured at the fair value of the services received as the fair value of such services was not reliably measurable.

(Expressed in Canadian dollars)

10. Basic and Diluted Income (Loss) per Share

The income (loss) and weighted average number of common shares used in the calculation of basic and diluted income (loss) per share for the years ended December 31, 2017 and 2016 were as follows:

		December 31 2017		December 31 2016
Numerator:				
Net income (loss) and comprehensive income (loss) for the year	**$**	**77,228**	$	(834,933)
Denominator:				
Weighted average number of common shares - basic		**61,227,208**		58,574,201
Adjustments for calculation of diluted income per share:				
Options and warrants in the money		**6,450,845**		-
Weighted average number of common shares - diluted		**67,678,053**		58,574,201
Basic income (loss) per share	**$**	**0.001**	$	(0.014)
Diluted income (loss) per share	**$**	**0.001**	$	(0.014)

For the year ended December 31, 2016, the Company had securities outstanding which could potentially dilute basic loss per share, thus were excluded from the computation of dilutive net loss per share in the period presented, as their effect would have been anti-dilutive. These included 4,114,274 options and 2,509,845 warrants.

(Expressed in Canadian dollars)

11. Commitments and Contingencies

(a) Litigation

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. There were no litigation and claims during the year ended December 31, 2017.

(b) Leases

Total future non-cancellable annual lease payments for the premises are as follows:

2018	$ 230,602
2019	230,602
2020	230,602
2021	230,602
2022	134,518
	$1,056,926

12. Capital Risk Management

The Company includes equity comprised of share capital, warrant capital, contributed surplus, and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further develop and market its digital media distribution systems, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2017.

(Expressed in Canadian dollars)

13. Related Party Transactions

Key management personnel are comprised of the Company's directors and executive officers. In addition to their salaries, key management personnel also participate in the Company's share option program (note 8).

Key management personnel compensation is as follows:

	December 31 2017	December 31 2016
Salaries and short-term employee benefits (i)	**$ 1,055,490**	$ 844,500
Share-based payments	**88,870**	38,628
Contractual severance (ii)	**428,506**	-
	$ 1,572,866	$ 883,128

(i) Short-term employee benefits include bonuses, vacation pay and commission (effective Q2 2017).

(ii) Contractual severance includes the discounted value of salary continuance, to be paid over 22 months and bonus accrual. As of December 31, 2017, $83,723 has been paid out (note 19).

During the year ended December 31, 2017, the Company issued debentures with a principal amount of $100,000 and issued 100,000 bonus warrants to a director of the Company (notes 9 & 16).

14. Financial Instruments and Risk Management

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

Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(Expressed in Canadian dollars)

14. Financial Instruments and Risk Management (continued)

(a) Market risk:

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk is comprised of two types of risk applicable to the Company:

(i) Currency risk:

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily United States dollars. Foreign exchange risk arises from purchase and sales transactions as well as recognized financial assets and liabilities denominated in foreign currencies. A 5% change in foreign exchange would result in a $49,085 impact on net income (loss) and comprehensive income (loss).

Balances in foreign currencies at December 31, 2017 are as follows:

	USD
Accounts receivable	$ 1,103,397
Trade and other payables	$ 121,701

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions and potential increases on the prime rate applied on the line of credit available to the Company. Debentures owed by the Company are fixed rate instruments. The Company considers this risk to be immaterial.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of non-payment of accounts receivable. The Company mitigates this risk by monitoring the credit worthiness of its customers and by offering an ecommerce service to smaller customers. During the year ended December 31, 2017, approximately 28% (2016 - 27%) of accounts receivable and 24% (2016 - 8%) of revenue are from three customers (2016 - two customers).

(Expressed in Canadian dollars)

14. Financial Instruments and Risk Management (continued)

(b) Credit risk: (continued)

Aging of trade receivables that are past due, but not impaired are as follows:

	December 31 2017	December 31 2016
0 to 30 days past due	**$ 380,813**	$ 391,752
31 to 60 days	**241,022**	157,237
Over 60 days[(i)]	**637,574**	576,538
Total past due	**$ 1,259,409**	$ 1,125,527

[(i)] This balance consists mainly of four customers, of which two have payment plans in place (2016 – two customers, both with payment plans in place). The Company has increased its allowance for bad debts to address any anticipated collectability issues based on payment history. As of April 18, 2018, 54% of this balance was collected.

Continuity of allowance for doubtful accounts:

	December 31 2017	December 31 2016
Balance, beginning of year	**$ 48,000**	$ 48,000
Less: Accounts written off to bad debt expense	**(15,000)**	(16,934)
Charge during the year	**111,000**	16,934
Balance, end of year	**$ 144,000**	$ 48,000

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

(Expressed in Canadian dollars)

14. Financial Instruments and Risk Management (continued)

(c) Liquidity risk: (continued)

The Company manages liquidity risk on the basis of expected maturity dates.

The following tables analyze financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	Severance payable	Debentures	Finance leases	Loan payable	Trade and other payables	Total
Less than 1 year	$ 267,585	$ -	$ 71,275	$ -	$ 882,534	$ 1,221,394
1- 3 years	$ 79,824	$ 650,000	$ 73,150	$ -	$ -	$ 802,974
Balance at December 31, 2017	**$ 347,409**	**$ 650,000**	**$ 144,425**	**$ -**	**$ 882,534**	**$ 2,024,368**

	Severance payable	Debentures	Finance leases	Loan payable	Trade and other payables	Total
Less than 1 year	$ -	$ -	$ 58,109	$ 200,000	$ 614,821	$ 872,930
1- 3 years	$ -	$ -	$ 23,545	$ -	$ -	$ 23,545
Balance at December 31, 2016	$ -	$ -	$ 81,654	$ 200,000	$ 614,821	$ 896,475

At present, the Company expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Company expects the operating activity to generate sufficient cash inflows.

(Expressed in Canadian dollars)

14. Financial Instruments and Risk Management (continued)

(d) Fair value:

The following table summarizes the carrying values of the Company's financial instruments. The fair values of financial instruments approximate their carrying values because of their current nature. The fair value of the Company's finance lease obligations and debentures are based on estimated market interest rates on similar borrowings. The carrying amount of the finance lease obligations and debentures is not materially different from the present value of the future cash flows to settle the liability.

	December 31 2017	December 31 2016
Fair value through profit or loss (i)	**$ 1,215,554**	$ 354,579
Loans and receivables (ii)	**$ 1,661,115**	$ 1,590,176
Other financial liabilities (iii)	**$ 1,875,545**	$ 889,800

(i) Cash
(ii) Accounts receivable excluding HST
(iii) Trade and other payables, finance lease obligation, loan payable, debentures and contractual severance payable

15. Loan Payable

On December 14, 2015, the Company entered into a Credit Facility Agreement (the "Agreement") with Espresso Capital Investment Fund IV Limited Partnership ("Espresso"), whereby Espresso provided the Company with a revolving credit facility (the "Credit Facility") of up to the lesser of $500,000 and the Authorized Credit Amount (as defined in the Agreement). The Credit Facility was required to be drawn down in one or more tranches in the Company's discretion subject to a minimum amount to be drawn on or before January 31, 2016.

The Credit Facility was used to fund working capital requirements. Amounts drawn down under the Credit Facility were subjected to interest at the rate of 1.5% per month from the date of each advance. Further, a fee for each advance was payable to Espresso. Subject to early termination, the Credit Facility would mature on December 31, 2017. A general security agreement (the "GSA") was issued by the Company in favour of Espresso to secure the Credit Facility.

The Company withdrew $100,000 from the Credit Facility on January 26, 2016 and an additional $100,000 on May 25, 2016. During the year ended December 31, 2017, the loan was repaid using the proceeds from the issuance of debentures and the Agreement was terminated (note 16).

(Expressed in Canadian dollars)

16. Debentures

On February 24, 2017, the Company completed a non-brokered debenture offering (the “Offering”) of secured, non-convertible debentures (the “Debentures”) for aggregate gross proceeds of $500,000 (the “Principal Amount”). The net proceeds of the Offering were used to repay the loan to Espresso (note 15) with the balance used for working capital. The Debentures mature three years from the closing (the “Closing Date”) of the Offering (the “Maturity Date”) but the Company is entitled to repay the Principal Amount and all accrued interest in full, without penalty, at any time following the two year anniversary of the Closing Date (“Early Repayment”), subject to the mutual approval of the Company and the holders of the Debentures. The Debentures bear interest at a rate of 10% per annum, which accrues and becomes due on the Maturity Date, subject to Early Repayment.

The Company also issued to the lenders one share purchase warrant (each the “Bonus Warrant”, collectively the “Bonus Warrants”) for each dollar of the Principal Amount to purchase one common share of the Company at an exercise price of $0.15 per share for a period of three years from the Closing Date. The Company issued 500,000 Bonus Warrants with a fair value of $29,951 (notes 9 & 13). The accretion expense was $9,727 for the year ended December 31, 2017. The securities issued pursuant to the Offering are subject to a 4-month hold period. Neither the Debentures nor the Bonus Warrants are listed on any stock exchange. The Debentures are secured against all personal property of the Company.

The following Debentures were outstanding as at December 31, 2017:

Maturity Date	Carrying Value	Face Value	Stated Interest Rate	Effective Interest Rate
February 24, 2020	$ 469,656	$ 500,000	10%	13%

17. Technology Development

ITCs earned as a result of incurring Scientific Research and Experimental Development ("SRED") expenditures are recorded as a reduction of the related current period expense. Management records ITCs when there is reasonable assurance of collection. In the year ended December 31, 2017, the Company incurred technology development expense of $240,326 (2016 - $200,135), recognized ITCs of $86,500 (2016 - $124,000), reversed over accruals of $10,742 for 2016 ITCs based on SRED claim filed at the end of 2017 (2016 - recognized additional ITCs of $22,126 based on refund received in 2016), and adjusted for other government funding of a recovery of $Nil (2016 - $535), resulting in a net expense of $164,568 (2016 - $53,474).

(Expressed in Canadian dollars)

18. Segmented Information

The Company provides digital media distribution and data management solutions to customers across multiple geographic regions. It considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the CEO of the Company. The operating segments are based on the regional geographic areas. Specifically for revenues, the amounts included are from the originating country. Below is the breakdown of revenue and long term assets by operating segment.

For the year ended December 31, 2017	Canada	US	Other	Total revenue
Advertising	**$ 571,196**	**$ 4,141,129**	**$ -**	**$ 4,712,325**
Entertainment				
Music(i)	**616,196**	**1,044,776**	**11,778**	**1,672,750**
Awards management	**209,831**	**1,051,472**	**-**	**1,261,303**
Licensing(ii)	**-**	**-**	**8,788**	**8,788**
	826,027	**2,096,248**	**20,566**	**2,942,841**
Total revenue	**$ 1,397,223**	**$ 6,237,377**	**$ 20,566**	**$ 7,655,166**
Property and equipment	**$ 214,175**	**$ 7,947**	**$ -**	**$ 222,122**

For the year ended December 31, 2016	Canada	US	Other	Total revenue
Advertising	$ 512,700	$ 2,043,598	$ -	$ 2,556,298
Entertainment				
Music(i)	630,674	1,110,689	507	1,741,870
Awards management	202,450	836,213	-	1,038,663
Licensing(ii)	-	-	-	-
	833,124	1,946,902	507	2,780,533
Total revenue	$ 1,345,824	$ 3,990,500	$ 507	$ 5,336,831
Property and equipment	$ 106,867	$ 7,162	$ -	$ 114,029

(i) Music includes audio/video delivery and subscription fees

(ii) Licensing includes revenues from licensing DMDS to other territories outside of Canada and US.

19. Contractual Severance Payable

During the year ended December 31, 2017, the Company incurred a contractual severance payable of $432,888, to be paid over 22 months, which commenced August 2017. This consists of an undiscounted bonus accrual of $60,525 and a principal severance payable amount of $372,363, which was discounted using a risk-free interest rate of 1.26%, resulting in a fair value of $367,981. As at December 31, 2017, the balance of contractual severance payable was $344,782, of which $204,663 of the severance payable and $60,525 of the bonus accrual were current, and the remaining payable amount of $79,594 classified as long term. The accretion expense for the year ended December 31, 2017 was $1,756.

20. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

The Company has disclosed a subtotal for revenue, net of commission and production costs in the statements of net income (loss) and comprehensive income (loss). Revenue, net of commission and production costs is computed as total revenues, including advertising, music audio & video, awards management and licensing revenue streams, less commission costs related to sales personnel, and post-production costs related to its advertising production activities. The Company believes this disclosure provides useful and transparent information to users of the financial statements with respect to the operating and financial performance of the Company.

(Expressed in Canadian dollars)

21. Income Taxes

(a) Income tax expense:

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

	December 31 2017	December 31 2016
Income (loss) before income taxes	$ 81,136	$ (828,659)
Statutory rate	26.5%	26.5%
Expected income tax expense (recovery)	$ 22,000	$ (220,000)
Amounts not deductible for tax and other	39,000	12,000
Deferred tax assets not recognized	(453,000)	(256,000)
Changes in non-capital losses and credit carry forwards	392,000	464,000
Income tax expense	$ -	$ -

(b) Deferred income taxes:

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

	December 31 2017	December 31 2016
Amounts related to tax loss and credit carry forwards	$ 6,733,000	$ 7,290,000
Share issuance costs	30,000	82,000
Capital and intangible assets	904,000	893,000
Reserves	91,000	-
Net deferred tax asset	$ 7,758,000	$ 8,265,000
Deferred tax assets not recognized	(7,758,000)	(8,265,000)
	$ -	$ -

The Company has ITCs of approximately $1,692,652 and unused expenditures of approximately $6,423,953 related to scientific research and experimental development costs. The Company also has non-capital losses of approximately $19,063,000 available to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

(Expressed in Canadian dollars)

21. Income Taxes (continued)

(b) Deferred income taxes: (continued)

2026	$ 770,000
2027	2,618,000
2028	2,907,000
2029	2,450,000
2030	2,998,000
2031	3,470,000
2032	1,369,000
2033	1,011,000
2034	1,025,000
2035	205,000
2036	240,000
	$ 19,063,000

The potential tax benefit relating to these losses has not been reflected in these financial statements.

22. Subsequent Event

On January 8, 2018, the Company announced a grant of stock options (the "Options") in accordance with the terms and conditions of the Company's Stock Option Plan, most recently approved at the Company's Annual Special and General Meeting of the shareholders, held on June 28, 2017, to certain officers, directors, employees and consultants of the Company, to purchase an aggregate of 1,392,500 common shares in the capital stock of the Company. The Options are exercisable for a period of five years from the date of grant at a price of $0.275 per share. Following 10% of the Options vesting on the date of grant, the remaining 90% will vest as to a third on each 6-month anniversary following the date of grant.