INTERTAINMENT MEDIA INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended March 31, 2015 and 2014

Intertainment Media Inc.

Interim Condensed Consolidated Financial Statements (unaudited)

For the three and nine month periods ended March 31, 2015 and 2014

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Notice to Reader

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited interim condensed consolidated financial statements for the three and nine months ended March 31, 2015 have not been reviewed by the Company's auditors.

Presentation of Accounting Policies

The accompanying unaudited interim condensed consolidated financial statements for Intertainment Media Inc. have been prepared by management in accordance with International Financial Reporting Standards consistently applied. The most significant accounting policies have been set out in the June 30, 2014 audited consolidated financial statements. Only changes in accounting information have been disclosed in these financial statements.

INTERTAINMENT MEDIA INC.
Interim Condensed Consolidated Statements of Financial Position
As at March 31, 2015

Unaudited in Canadian Dollars	**March 31, 2015**	**June 30, 2014**
ASSETS		
Current		
Cash and cash equivalents (Note 4)	**$ 257,293**	$ 392,721
Accounts receivable	**1,164,911**	342,851
Promissory notes receivable (Note 8)	**1,074,298**	-
Inventory (Note 5)	**-**	56,359
Prepaid expenses and other current assets	**639,793**	1,667,307
Assets held for sale on discontinued operation (Notes 6 and 26)	**-**	180,963
Total current assets	**3,136,295**	2,640,201
Other assets (Note 4)	**-**	130,792
Promissory notes receivable (Notes 8 and 26)	**1,106,027**	478,625
Portfolio investments (Note 9)	**1,346,420**	1,079,746
Associate investments (Note 10)	**2,367,062**	2,715,676
Property and equipment (Note 6)	**27,944**	36,195
Intangible assets (Note 7)	**8,288,485**	10,103,834
	$ 16,272,233	$ 17,185,069
LIABILITIES AND DEFICIENCY		
Current		
Credit facility (Note 12)	**$ -**	$ 333,011
Accounts payable and accrued liabilities	**7,046,785**	7,821,092
Deferred revenues	**53,831**	2,370
Advances from related parties (Note 19)	**252,301**	408,090
TranzActive debentures (Note 13)	**3,183,241**	3,147,061
Convertible secured debentures (Note 14)	**3,045,740**	2,847,510
Promissory notes payable (Note 11)	**733,403**	720,986
Loans and line of credit in Yappn (Note 24)	**3,495,885**	964,620
Convertible debentures in Yappn (Note 24)	**2,001,895**	-
Total current liabilities	**19,813,081**	16,244,740
Convertible debentures in Yappn (Note 24)	**1,675,618**	3,439,783
	21,488,699	19,684,523
Deficiency		
Share capital (Note 15(a))	**79,202,344**	79,152,157
Contributed surplus	**22,053,232**	20,084,867
Share purchase warrants (Note 15(b))	**307,217**	1,156,638
Equity portion of convertible secured debentures	**198,972**	198,972
Deficit	**(104,158,715)**	(101,612,189)
	(2,396,950)	(1,019,555)
Non-controlling interest in subsidiaries (Notes 15(d) and 24)	**(2,819,516)**	(1,479,899)
	(5,216,466)	(2,499,454)
	$ 16,272,233	$ 17,185,069

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

Basis of Presentation, Going Concern, Commitments, Provisions and Contingencies, Subsequent events (Notes 2, 3, 18, 23, 27)

Approved by the Board: *"Herb Willer"* Director (signed) *"David Lucatch"* Director (signed)

INTERTAINMENT MEDIA INC.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
For the three and nine month periods ended March 31, 2015 and 2014

	Three months ended March 31, 2015	Three months ended March 31, 2014	Nine months ended March 31, 2015	Nine months ended March 31, 2014
Revenue (Note 21)	**$ 871,880**	$ 77,687	**$ 1,205,050**	$ 364,453
Cost of goods sold	**229,890**	57,615	**338,821**	205,936
Gross profit	**641,990**	20,072	**866,229**	158,517
Operating expenses:				
Research and development	**103,504**	238,264	**420,676**	648,226
Selling, general and administrative	**1,224,567**	1,736,028	**4,137,109**	4,617,193
Stock-based compensation (Note 15 (c) and 24)	**353,631**	9,596	**1,091,342**	108,348
Depreciation of property and equipment	**2,427**	3,970	**7,476**	11,898
Amortization of intangible assets	**619,261**	703,128	**1,853,857**	2,109,384
	2,303,390	2,690,986	**7,510,460**	7,495,049
Loss before equity in losses of associates, other (expense) income and interest expense	**(1,661,400)**	(2,670,914)	**(6,644,231)**	(7,336,532)
Equity in losses of associates (Note 10)	**(141,098)**	(105,261)	**(348,614)**	(422,038)
Other (expense) income (Note 16)	**(511,563)**	145,330	**3,014,034**	1,279,235
Interest expense (Note 17)	**(334,945)**	(280,751)	**(1,017,667)**	(825,680)
Loss before income taxes	**(2,649,006)**	(2,911,596)	**(4,996,478)**	(7,305,015)
Recovery of income taxes	**-**	-	**-**	121,728
Loss from continuing operations	**$ (2,649,006)**	$ (2,911,596)	**$ (4,996,478)**	$ (7,183,287)
Gain (loss) from discontinued operations, net of tax (note 26)	-	(59,291)	**1,021,974**	(187,253)
Net and comprehensive loss	**$ (2,649,006)**	$ (2,970,887)	**$ (3,974,504)**	$ (7,370,540)
Attributed to non-controlling interest	**$ (402,118)**	$ (306,965)	**$ (1,176,644)**	$ (609,190)
Attributed to common shareholders	**$ (2,246,888)**	$ (2,663,922)	**$ (2,797,860)**	$ (6,761,350)
Net loss per share - basic and diluted	**$ (0.007)**	$ (0.008)	**$ (0.011)**	$ (0.020)
Weighted average number of shares - basic and diluted	**372,667,432**	372,477,279	**372,539,738**	372,477,279

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

INTERTAINMENT MEDIA INC.
Interim Condensed Consolidated Statements of Shareholders' (Deficit) Equity
For the three and nine month periods ended March 31, 2015 and 2014

	Three months ended March 31, **2015**	Three months ended March 31, 2014	Nine months ended March 31, **2015**	Nine months ended March 31, 2014
Share Capital				
Balance beginning of period	**$ 79,152,157**	$ 79,152,157	**$ 79,152,157**	$ 79,152,157
Common shares issued on vendor settlement	**50,187**	-	**50,187**	-
Balance end of period	**$ 79,202,344**	$ 79,152,157	**$ 79,202,344**	$ 79,152,157
Share Purchase Warrants				
Balance beginning of period	**$ 337,576**	$ 1,156,638	**$ 1,156,638**	$ 5,802,562
Issuance of warrants	**27,603**	-	**27,603**	-
Expiry of warrants	**(57,962)**	-	**(877,024)**	(4,645,924)
Balance end of period	**$ 307,217**	$ 1,156,638	**$ 307,217**	$ 1,156,638
Contributed Surplus				
Balance beginning of period	**$ 21,641,640**	$ 20,069,871	**$ 20,084,867**	$ 15,325,195
Expiry of warrants	**57,962**	-	**877,024**	4,645,924
Stock-based compensation	**353,631**	9,596	**1,091,342**	108,348
Balance end of period	**$ 22,053,232**	$ 20,079,467	**$ 22,053,232**	$ 20,079,467
Equity portion of convertible debentures				
Balance beginning of period	**$ 198,972**	$ 198,972	**$ 198,972**	$ 202,379
Conversions of convertible debenture	**-**	-	**-**	(3,407)
Balance end of period	**$ 198,972**	$ 198,972	**$ 198,972**	$ 198,972
Deficit				
Balance beginning of period	**$(101,898,076)**	$ (89,089,866)	**$ (101,612,189)**	$ (84,992,438)
Income (losses) attributed to common shareholders	**(2,246,888)**	(2,663,922)	**(2,797,860)**	(6,761,350)
Dilution adjustment from change in ownership	**(13,751)**	3,425,000	**251,334**	3,425,000
Balance end of period	**$(104,158,715)**	$ (88,328,788)	**$ (104,158,715)**	$ (88,328,788)
Total Common Shareholders' (Deficit) Equity	**$ (2,396,950)**	$ 12,258,446	**$ (2,396,950)**	$ 12,258,446
Non-controlling interest in a subsidiary				
Balance beginning of period	**$ (2,431,149)**	$ (308,194)	**$ (1,479,899)**	$ (5,969)
Net comprehensive loss attributed to NCI	**(402,118)**	(306,965)	**(1,176,644)**	(609,190)
Dilution adjustment from change in ownership	**13,751**	-	**(162,973)**	-
Balance end of period	**$ (2,819,516)**	$ (615,159)	**$ (2,819,516)**	$ (615,159)
Total Equity	**$ (5,216,466)**	$ 11,643,287	**$ (5,216,466)**	$ 11,643,287

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

INTERTAINMENT MEDIA INC.
Interim Condensed Consolidated Statements of Cash Flows
For the nine month period ended March 31, 2015 and 2014

Unaudited in Canadian dollars	Nine month period ended March 31, 2015	2014
Cash flows from operating activities:		
Net and comprehensive loss for the period	**$ (3,974,504)**	$ (7,370,540)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	**7,476**	11,898
Amortization of intangible assets	**1,853,857**	2,109,384
Stock-based compensation	**1,091,342**	108,348
Recovery of deferred taxes	**-**	(121,728)
Impairment losses	**-**	132,152
Gain on sale of investments	**(2,223,100)**	(1,201,113)
Vendor adjustments and settlements	**(893,029)**	-
Loss on disposal of equipment	**1,714**	-
Fair value adjustments - unrealized foreign exchange and other mark to market	**104,213**	247,357
Equity in losses of associates	**348,614**	422,038
Accrued interest on private debt	**90,355**	35,597
Accretion interest on promissory notes payable and convertible debentures	**198,230**	268,908
Accretion interest on promissory note receivable	**(37,555)**	-
Gain on sale of discontinued operations	**(1,062,709)**	-
Changes in operating assets and liabilities:		
Accounts receivable	**(822,060)**	(46,184)
Inventory	**56,359**	12,667
Prepaid expenses and other current assets	**421,342**	699,245
Accounts payable and accrued liabilities	**448,234**	314,949
Deferred revenues	**51,461**	(11,149)
Other assets and liabilities	**130,792**	56,861
Cash flows provided by operating activities of discontinued operations	**-**	167,043
Net cash used in operating activities	**(4,208,968)**	(4,164,267)
Cash flows from investing activities:		
Additions of property and equipment	**(565)**	-
Acquisition and expenditures on patents	**(38,508)**	(43,464)
Proceeds from sale of Sprylogics shares	**-**	310,474
Proceeds from Sprylogics promissory note	**325,290**	-
Proceeds from promissory note from ItiBiti	**750,000**	-
Proceeds from sale of investments	**515,000**	1,152,623
Net cash provided by investing activities	**1,551,217**	1,419,633
Cash flows from financing activities:		
Advances toward TranzActive debentures	**-**	545,000
Proceeds from Yappn financing	**3,546,573**	2,587,350
Repayment of Yappn financing	**(490,174)**	(301,350)
(Repayment to) advances from related parties	**(155,789)**	164,697
Repayments of private loans	**(45,276)**	(100,000)
Repayment of convertible debentures	**-**	(75,000)
Decrease in bank indebtedness	**(333,011)**	(67,985)
Net cash provided by financing activities	**2,522,323**	2,752,712
(Decrease) increase in cash during the period	**(135,428)**	8,078
Cash and cash equivalents at beginning of period	**392,721**	235,593
Cash and cash equivalents at end of period	**$ 257,293**	$ 243,671

Supplemental cash flow information (Note 25)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

1. Nature of Business

Intertainment Media Inc. ("Intertainment" or "the Company") is a technology incubator that is focused on developing, nurturing and investing in both North American and global technologies and companies that provide technology solutions for brands and consumers alike. Intertainment has a 93.05% owned subsidiary, Ortsbo Inc. (rebranded as "TranzActive"), it owns a 63.82% interest in Yappn Corp. ("Yappn") and has interests in leading edge technologies and social media platforms including Lexifone Communications Systems (2010) Ltd., theAudience Inc., and Active ImagineNation Inc. Prior to September 2, 2014, Intertainment operated a wholly owned subsidiary Magnum Fine Commercial Printing Limited ("Magnum"), a discontinued operation as of January 1, 2014. Intertainment, the parent, is a public company incorporated under the Alberta Business Corporations Act and domiciled in Canada with its head office at 80 Tiverton Court, Suite 100, Markham, Ontario, Canada, L3R 0G4. Intertainment operates principally in Canada and the United States. Intertainment is listed on the TSX Venture Exchange under the symbol "INT" (TSXV:INT), in the US on the OTCBB Exchange under the symbol "ITMTF" and in Europe on the Open Market (Regulated Unofficial Market) of the Frankfurt stock exchange through the XETRA trading platform under the symbol "I4T".

2. Basis of Presentation

These interim unaudited condensed consolidated financial statements ("interim financial statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that is relevant to these interim financial statements will be finalized only when the annual IFRS financial statements are prepared for the year ending June 30, 2015. The interim financial statements are presented in Canadian dollars.

These financial statements were prepared on a going concern basis under the historical cost method except for certain financial assets and liabilities which are measured at fair value. The significant accounting policies have been consistently applied in each of the periods presented.

These interim financial statements were authorized for issuance by the Board of Directors of the Company on May 27, 2014.

3. Going Concern

There is substantial doubt about the Company's ability to realize the carrying value of its assets and discharge its liabilities as they come due. The Company requires additional equity or debt financing in fiscal 2015 in order to continue operations. The Company is currently evaluating the different options available. The continuance of the Company as a going concern is dependent upon, among other things, its ability to obtain additional financing, achieve positive operating cash flows and the on-going support of its shareholders, affiliates and creditors. For the nine month period ended March 31, 2015, the Company incurred a loss of $3,974,504 and had negative operating cash flows of $4,208,968. At March 31, 2015, the Company had negative working capital of $16,676,786 and an accumulated deficit of $104,158,715.

If the Company is unable to realize its assets and discharge its liabilities in the normal course of business, material adjustments may be necessary to the carrying amounts and/or classification of assets, liabilities and expenses in these interim financial statements.

4. Cash and Cash Equivalents and Other Assets

During the Company's first quarter of fiscal 2015, subsequent to the Company's sale of Magnum, the Company's $200,000 redeemable Guaranteed Investment Certificate ("GIC") was redeemed (June 30, 2014 - $200,000). The GIC was held with a Schedule A Canadian bank, earned interest between 0.95% and 1.85% and had a maturity date of 90 days.

Other Assets as at June 30, 2014 includes a non-redeemable GIC of $103,235 and $27,557 in restricted deposit accounts with no maturity date. During fiscal 2015, the Company cancelled the corporate credit card program and the GICs were utilized to settle past obligations. The restricted deposit was redeemed when the Company moved its office location during the Company's second quarter of fiscal 2015.

5. Inventory

Inventory consists of the following:

	March 31, 2015	June 30, 2014
Raw materials and consumables	**$ -**	$ 41,681
Finished goods	**-**	14,678
	$ -	$ 56,359

The Company's inventory related to Magnum and upon the sale of Magnum on September 2, 2014, the Company no longer carries inventory.

6. Property and Equipment

	Manufacturing Equipment	**Computer Equipment**	**Furniture & Fixtures**	**Leasehold Improvements**	**Total**
Cost					
Balance, June 30, 2013	$ 1,326,746	$ 418,345	$ 111,497	$ 120,808	$1,977,396
Additions	-	1,425	-	-	1,425
Impairments	-	(13,193)	(644)	-	(13,837)
Reclassified as Held for Sale	$ (1,326,746)	(285,889)	(68,577)	(88,848)	(1,770,060)
Balance, June 30, 2014	$ -	$ 120,688	$ 42,276	$ 31,960	$ 194,924
Additions	-	565	-	-	565
Disposal		(2,412)			(2,412)
Foreign exchange revaluation	-	1,069	581	-	1,650
Balance, March 31, 2015	$ -	$ 119,910	$ 42,857	$ 31,960	$ 194,727
Accumulated Depreciation					
Balance, June 30, 2013	$ 1,164,530	$ 335,824	96,555	$ 120,808	$1,717,717
Depreciation – Continuing Operations	-	13,922	1,387	-	15,309
Depreciation – Discontinued Operations	16,222	4,920	514	-	21,656
Impairments	-	(6,588)	(267)	-	(6,855)
Reclassified as Held for Sale	(1,180,752)	(256,625)	(62,873)	(88,848)	(1,589,098)
Balance, June 30, 2014	$ -	$ 91,453	$ 35,316	$ 31,960	$ 158,729
Depreciation	-	6,490	986	-	7,476
Disposal	-	(698)	-	-	(698)
Foreign exchange revaluation	-	890	386	-	1,276
Balance, March 31, 2015	$ -	$ 98,135	$ 36,688	$ 31,960	$ 166,783
Net Book Value					
Balance, June 30, 2013	**$ 162,216**	**$ 82,521**	**$ 14,942**	**$ -**	**$ 259,679**
Balance, June 30, 2014	**$ -**	**$ 29,235**	**$ 6,960**	**$ -**	**$ 36,195**
Balance, March 31 ,2015	**$ -**	**$ 21,775**	**$ 6,169**	**$ -**	**$ 27,944**

The Company reclassified Property and Equipment with a net book value of $180,963 to assets held for sale at the beginning of the Company's third quarter of fiscal 2014 due to management's decision to sell Magnum. Please refer to note 26 for discontinued operations

7. Intangible Assets

	Technology	Customer Relationships	Patents	Total
Cost				
Balance, June 30, 2013	$ 21,730,000	$ 579,834	$ 442,014	$ 22,751,848
Additions	-	-	54,156	54,156
Impairment	-	(579,834)	(269,179)	(849,013)
Balance, June 30, 2014	$ 21,730,000	$ -	$ 226,991	$ 21,956,991
Additions	-	-	38,508	38,508
Balance, March 31, 2015	$ 21,730,000	$ -	$ 265,499	$ 21,995,499
Accumulated Amortization				
Balance, June 30, 2013	$ 9,040,605	$ 434,811	$ -	$ 9,475,416
Amortization – Continuing ops	2,812,552	-	-	2,812,552
Amortization – Discontinued ops	-	57,978	-	57,978
Impairment	-	(492,789)	-	(492,789)
Balance, June 30, 2014	$ 11,853,157	$ -	$ -	$ 11,853,157
Amortization	1,851,894	-	1,963	1,853,857
Balance, March 31, 2015	$ 13,705,051	$ -	$ 1,963	$ 13,707,014
Net Book Value				
Balance, June 30, 2013	**$ 12,689,395**	**$ 145,023**	**$ 442,014**	**$ 13,276,432**
Balance, June 30, 2014	**$ 9,876,843**	**$ -**	**$ 226,991**	**$ 10,103,834**
Balance, March 31, 2015	**$ 8,024,949**	**$ -**	**$ 263,536**	**$ 8,288,485**

The Company recorded a full write off of the remaining net book value of the Customer relationships of $87,045 during Fiscal 2014 which related to Magnum.

During the three month period ended March 31, 2015, the Company was granted two separate patents in Ortsbo. The value of costs capitalized associated with these two patents was $56,916 and amortization commenced starting of the date of the patent issuances to Ortsbo. These costs are being amortized over a period of five years which is the estimated useful life. Amortization for the three and nine month period pertaining to these patents was $1,963.

8. Promissory Notes Receivable

Promissory notes receivable consists of the following:

	March 31, 2015	June 30, 2014
Sprylogics International Corp. (current March 31, 2014, non-current June 30, 2014)	**$ 174,298**	$ 478,625
Media Vision (Note 26)	**$ 1,106,027**	$ -
ItiBiti Ventures Inc. (current asset)	**$ 900,000**	$ -

On January 14, 2013 the Company announced that it co-operated with Toronto-based Avenza Holdings Inc., to form a corporation, on a 50/50 basis, to acquire the assets of Poynt Corporation, by recommendation of the Receivers, Alberta-based Hardie and Kelly Inc., and approval of the sale and a vesting order by the Court of the Queen's Bench of Alberta.

Upon finalization of the bankruptcy proceedings the total cash contribution by Avenza was $950,000 in order to finalize the bankruptcy. The Company's carrying value of the investment was identical to the amount Avenza contributed for its 50% ownership. The investment was accounted for as a joint venture and was accounted for using the equity method of accounting. During the first quarter of fiscal 2014, the Company recorded a loss from equity investee in the amount of $44,713 to reflect the Company's share of the net loss in Poynt Inc ("Poynt"). The Company reduced the investment in Poynt Inc. by the same amount. The carrying value of the investment was $644,203 at the time Poynt Inc. was sold to Sprylogics International Corp ("Spry"). As a result of the sale of Poynt to Spry, the Company recorded a gain on sale in the amount of $855,797 during the first quarter of fiscal 2014 (note 16).

On July 31, 2013, the Company finalized the sale of its ownership interest in Poynt to Spry. Under the term of the sale agreement, the Company received a promissory note in the amount of $1,250,000 with a two year term to maturity at an interest rate of 6.5% payable quarterly in cash and/or common shares of Spry. In connection with the purchase price the Company also received shares in Spry at a cost base of $250,000. The Company realized a gain from the sale of Spry shares in the amount of $60,474 for the nine month period ended March 31, 2014. All shares in Spry were sold in fiscal 2014.

Under the term of the sale agreement the Company received a payment of $127,693 against the promissory note balance including accrued interest on November 30, 2013. The Company is also entitled to an accelerated payment of the promissory note, contingent upon financing closed by Spry subsequent to the sale agreement. The Company is entitled to 12.5% of the proceeds raised, less broker fees, through any Spry financing as a repayment obligation against the promissory note. The promissory note is secured against the assets of Poynt.

The Company has received $784,000 in repayments from Spry relating to this promissory note during Fiscal 2014 and $295,000 in repayments from Spry during the third quarter of fiscal 2015. The remaining balance of $174,298 as at March 31, 2015 was repaid subsequent to the three and nine month period ended March 31, 2015 along with additional accrued interest up to the final repayment date.

ItiBiti Ventures Inc. ("ItiBiti") Vendor take back note

On March 31, 2013, the Company completed its sale of its stake in the ItiBiti platform to a private technology group. The transaction provides the Company with a continued 40% equity stake in the operating company, ItiBiti that is managed by the private technology group. The Company has one board seat in ItiBiti and has a free cash flow share of 40% for the first two years after the agreement is signed, declining to 20% annually by year five and beyond. The Company will participate in a future liquidity event involving the ItiBiti platform as follows: i) for a purchase price of $15 million or less, the Company receives 30% of the cash purchase price plus 40% of the remaining net proceeds from sale; and ii) for a purchase price of over $15 million, the Company receives $5 million in cash and 40% of the remaining net proceeds from sale.

As part of the sale, the Company took back a promissory note receivable from the private technology group in the amount of $3,000,000. As part of the Itibiti mandate to aggressively grow their business, ItiBiti obtained a working capital loan. Under the terms of the agreement between the Company and Itibiti, profits earned are first to be utilized against the reduction of any debt. Itibiti agreed to use $250,000 of this working capital loan to repay a portion of the Company's promissory note receivable. In exchange for this $250,000 repayment, not required contractually, the Company agreed to receive less in the way of future contractual payments. During years two through four of the purchase and sale agreement, the Company agreed to take a lower percentage of profits as mandatory repayments against the promissory note. The Company recorded a gain of $250,000 from the sale of its stake in ItiBiti during the second quarter of fiscal 2014. Due to the uncertainty around the timing and collectability of the vendor take back note, the Company recorded the gain on sale of its stake in the ItiBiti platform as cash is collected under this arrangement.

On October 24, 2014 the Company entered into an agreement with ItiBiti pertaining to its vendor take back note as described above. The Company agreed to amend the total take back note to $1,900,000 from $3,000,000 million in exchange for accelerated and fixed repayment terms. The repayment terms will no longer be tied to a declining percentage of free cash flows or the results of ItiBiti's business. As a result, the Company recorded a gain of $1,650,000 during the second quarter of fiscal 2015 ($250,000 of the $1,900,000 was recorded as a gain in Fiscal 2014 as described above). The $1,900,000 million was and will be paid as follows, $250,000 previously received in October 2013, $250,000 received on October 24, 2014 and $100,000 monthly over 14 months. There is further acceleration clauses available which if mutually agreed would further reduce the amount owing to the Company. The Company retains its security over the ItiBiti assets in connection with the revised vendor take back note and retains liquidity rights after the note is repaid. The Company has received all of the scheduled monthly payments from ItiBiti leaving a balance of $900,000 as at March 31, 2015.

9. Portfolio Investments

Portfolio Investments consist of the following:

	March 31, 2015	June 30, 2014
theAudience, Inc. – shares	**$ 1,281,730**	$ 1,079,746
Shiny Inc. (note10)	**64,690**	-
	$ 1,346,420	$ 1,079,746

The Company owns series A preferred shares in theAudience, Inc. ("theAudience") in the amount of $1,011,945 USD. The Company holds a nominal interest in the fully diluted ownership in theAudience and does not have significant influence over the operations of theAudience. As at March 31, 2015 the only fair value adjustment since inception relates to fluctuations in foreign exchange rates.

10. Associate Investments

Associate Investments consist of the following:

	March 31, 2015	June 30, 2014
Active ImageNation Inc.	**$ 1,395,034**	$ 1,456,165
Lexifone Communications Systems (2010) Ltd.	**972,028**	1,259,511
	$ 2,367,062	$ 2,715,676

Active ImageNation Inc.

The Company has an ownership interest in Active ImageNation Inc. ("AIN") of 27.5% as at March 31, 2015. As such, the Company holds significant influence over the strategic business decisions of AIN and AIN is accounted for as an associate investment using the equity method of accounting. The Company recorded its share of the losses in AIN for the three and nine month periods ended March 31, 2015 in the amount of $27,915 and $61,131 ($37,322 and $135,039 for the three and nine month periods ended March 31, 2014) which is recorded as a reduction of the net investment in AIN and as equity in losses of associates in the interim condensed consolidated statement of operations and comprehensive loss.

Lexifone Communications Systems (2010) Ltd.

The Company owned ordinary shares representing a 25% ownership of Lexifone Communications Systems (2010) Ltd. ("Lexifone") at the time of the original investment, and holds significant influence over the strategic business decisions of Lexifone. Lexifone is accounted for as an associate investment using the equity method of accounting. The Company recorded its share of the losses in Lexifone during the three and nine month periods ended March 31, 2015 in the amounts of $113,183 and $287,483 ($67,939 and $206,974 for the three and nine month periods ended March 31, 2014) which is recorded as a reduction of the net investment in Lexifone and as equity in losses of associates in the consolidated statement of operations and comprehensive loss.

During fiscal 2014 Lexifone finalized an additional equity financing which provided approximately $1,500,000 to Lexifone. As a result of the financing the Company's ownership interest in Lexifone was reduced to 21%. The Company recognized its share of the losses in Lexifone at this percentage ownership from the date the additional financing was received by Lexifone. The Company retains a seat on the Lexifone board of directors and continues to have significant influence over the operations of Lexifone.

Shiny Inc.

The Company owned Class A Preferred shares in Shiny and held significant influence over the strategic business decisions of Shiny and as such Shiny was accounted for as an associate investment using the equity method of accounting. The Company recorded its share of the losses in Shiny which was recorded as a reduction of the net investment in Shiny and as equity in losses of associates in the interim condensed consolidated statement of operations and comprehensive loss. During the three and nine month period ended March 31, 2014, the Company recorded its share of the losses in Shiny in the amount of $nil and $35,312. The recorded balance of the Company's investment in Shiny was $nil for several months prior to the sale of Shiny to a third party.

On October 20, 2014 the Company's associate investment in Shiny was sold to a third party. As part of the distribution on sale, based on its ownership interest in Shiny, the Company received $515,000 CAD on the close of the sale, with an additional $50,000 USD (note 9) held in escrow that the Company can claim after 18 months as part of a holdback provision in the share purchase agreement. The entire amount of the consideration on sale was recorded as a gain on sale of investment on October 20, 2014 since the recorded value of Shiny in the Company's interim financial statements was $nil. The original cash investment in Shiny was $250,000.

11. Promissory notes payable

Promissory notes payable consist of the following:

	March 31, 2015	June 30, 2014
Due to private investors	**$ 733,403**	$ 720,986

On July 3, 2012, the Company issued a promissory note to a private investor in the amount of $350,000, bearing an annual interest rate of 24%, payable in 30 days with an extension rollover option for the holder of the note every 30 days. On March 1, 2014 The Company converted the accrued interest on the promissory note of $139,310 plus a penalty of $135,690 into a TranzActive debenture in the amount of $275,000. Interest for the three and nine month periods ended March 31, 2015 was $20,712 and $63,057 ($20,712 and $62,367 for the three and nine month periods ended March 31, 2014) and was capitalized as part of the promissory note payable. The balance of the note including accrued interest as at March 31, 2015 is $441,134 ($378,076 - June 30, 2014). This promissory note is personally guaranteed by the CEO of the Company.

On July 27, 2012, the Company issued a promissory note to a private investor in the amount of $450,000, bearing an annual interest rate of 18%, payable in 30 days with an extension rollover option for the holder of the note every 30 days. The Company repaid $300,000 in prior fiscal years against this debt and $20,000 during the three and nine month periods ended March 31, 2015. Interest for the three and nine month periods ended March 31, 2015 was $6,302 and $19,913 ($7,767 and $23,647 for the three and nine month periods ended March 31, 2014) and was capitalized as part of the promissory note payable. The balance of the note including accrued interest as at March 31, 2015 is $219,028 ($219,115 - June 30, 2014). This promissory note is personally guaranteed by the CEO of the Company.

On March 31, 2013, the Company issued a promissory note to a private investor in the amount of $200,000, bearing an interest rate of 1% per month, with a repayment date of May 31, 2013. The Company repaid $175,000 in prior fiscal years against this debt. Interest for the three and nine month period ended March 31, 2015 was $nil and $658 ($740 and $3,353 for the three and nine month periods ended March 31, 2014). The Company repaid this promissory note including accrued interest in full during the start of the second quarter of fiscal 2015.

On April 10, 2013, the Company issued a promissory note to a private investor in the amount of $150,000, bearing an interest rate of 1% per month, with a repayment date of May 15, 2013. Interest for the three and nine month periods ended March 31, 2015 was $2,090 and $6,627 ($2,959 and $8,597 for the three and nine month periods ended March 31, 2014) and was capitalized as part of the promissory note payable. The Company repaid $75,000 against this debt in fiscal 2014 and $25,276 in fiscal 2015. In February 2015, the Company reached an agreement with the private investor to pay off this promissory note in eight equal installments of $12,638 comprising principle and interest over that period.

12. Credit Facility

Bank Indebtedness

The Company had a credit facility agreement ("Credit Agreement") with a Schedule A Canadian bank for an operating line of credit of $400,000 for Magnum, bearing interest at the rate of prime plus 2.5% per annum. The prime rate was 3.00% at June 30, 2014. The operating line of credit was supported by a GIC investment of $200,000. The Credit Agreement was secured by a general security agreement covering substantially all of Magnum’s assets. The Company repaid the outstanding balance on the line of credit at the time of close of the sale of Magnum through proceeds on the sale and through liquidating the GIC.

13. TranzActive Debentures

	March 31, 2015	June 30, 2014
Debentures Fiscal 2011	**$ 2,275,140**	$ 2,275,140
Debentures Fiscal 2014	**908,101**	871,921
	$ 3,183,241	$ 3,147,061

On February 28, 2011, Ortsbo, a subsidiary of the Company, later rebranded as TranzActive, issued $2,558,640 in debentures. Each debenture carries 8% annual interest payable semi-annually which originally matured on February 28, 2013. The Company received an initial extension to April 30, 2013 and is continuing discussions with debenture holders about related options to settle the debentures. These debentures included an obligation, in the event that the TranzActive business (Ortsbo) is sold before the maturity date and the proceeds are greater than $20,000,000, for the Company to pay to the holders of the debentures a premium of the amount by which the gross selling price exceeds $20,000,000, multiplied by 3.75%, based on the holder’s pro rata share of the debentures.

As at March 31, 2015, $283,500 of the debentures have been repaid (June 30, 2014 - $283,500).

During Fiscal 2014, the Company issued $820,000 in new convertible debentures in TranzActive. Each debenture carries 8% annual interest payable semi-annually and maturing one year from the issuance date with the option to extend the term upon written agreement from both the holders and the Company. The Company is currently in discussions with the debenture holders about related options to settle the debentures. The debentures carry a conversion feature whereby upon TranzActive’s next equity financing, the debenture holders will receive a discount conversion rate to the valuation based on TranzActive’s equity financing. `

The Company determined the fair value of the conversion feature and the fair value of the debentures. The difference between the fair value and face value of the debentures was being accreted over the repayment period using the effective interest method. Fair value changes related to the conversion feature are recorded at the end of each reporting period. During the three and nine month periods ended March 31, 2015, $5,181 and $36,179 was recorded as a fair value adjustment in relation to the TranzActive convertible debentures ($14,066 and $27,930 for the three and nine month periods ended March 31, 2014). Interest for the three and nine month periods ended March 31, 2015 was $61,055 and $185,878 ($57,499 and $164,804 for the three and nine month periods ended March 31, 2014).

Both the debentures and the conversion features related to the fiscal 2014 TranzActive debenture financing are valued as one financial instrument and have been classified as liabilities on the interim condensed consolidated statement of financial position.

14. Convertible Secured Debentures

On January 24, 2013, March 21, 2013, April 9, 2013 and April 30, 2013 the Company completed non-brokered private placements of units. A total of 3,215 units were issued at a price of $1,000 per unit, with each unit consisting of a $1,000 principal amount of secured convertible debentures and 8,333 common share purchase warrants, for gross proceeds to the Company of $3,215,000. Each warrant entitles the holder thereof to purchase one common share for a two year period from the date of issuance at an exercise price of $0.125 per common share. The debentures bear interest at a rate of 12% per annum, payable bi-monthly and will run for a term of two years. The debentures are secured against the assets of the Company and rank pari passu with certain other debentures issuable by the Company. The debentures are convertible, in whole or in part, at the option of the holder, for common shares at a price of $0.12 per common share for a period of two years from the date of issuance of the debentures, and may be redeemed by the Company at any time.

Values were allocated for these private placements between the debentures, the conversion feature and the warrants. The valuation approach involved determining a fair value for the debentures in the absence of a conversion feature and warrants and then using the residual method to allocate value to the equity components. The Black-Scholes option pricing model was used to determine the fair values of each of the conversion feature and warrants. The Company determined an interest rate of 21% was fair value for debentures without additional features attached. The present value of the interest and principal payments of the debentures at this fair value resulted in a gross allocation of $2,781,232 for the debentures and $343,026 for the equity components. The equity components were further allocated on a relative fair value basis between the conversion feature and the warrants. Total share issuance costs for these private placements were $142,912 and were allocated on a pro-rata basis to the debenture liability, conversion feature and warrants.

The Black-Scholes option pricing model was used to determine the fair values of each of the conversion feature and warrants. The assumptions used for both of these categories are as follows: Volatility ranging between 99-138%, Expected life two years, Risk free interest rate, ranging between 0.92 – 1.12 %, Dividend rate, 0%.

The difference between the fair value and face value of the debentures is being accreted over the repayment period using the effective interest method. During the three and nine month periods ended March 31, 2015 $38,750 and $198,230 ($67,375 and $207,370 for the three and nine month periods ended March 31, 2014) was recorded as accretion interest with a corresponding increase to the debenture liability. The carrying value of the debenture liability as at March 31, 2015 was $3,045,740 (June 30, 2014 - $2,847,510). Interest for the three and nine month periods ended March 31, 2015 was $89,891 and $273,670 ($89,891 and $275,297 for the three and nine month periods ended March 31, 2014).

The convertible debentures due on January 24, 2015 and March 22, 2015 were not repaid or converted into common shares of the Company by March 31, 2015. The Company has offered to the debenture holders an amending agreement to the debenture and attached warrants. The amendment provides an extension of the maturity day by one year, and a repricing of the effective conversion price to $0.05 from $0.12 in equivalent common shares and a repricing of the warrants to $0.05 from $0.125. In conjunction with the amending agreement the Company has also provided an option to debenture holders to request, after 90 days, a proposal to repay the convertible debentures in cash (a 30 day time period from that date to arrive at an acceptable proposal). A number of debenture holders have accepted the amending agreement which was put into effect once the TSXV approved the amending agreement, see note 27.

15. Share Capital

a) Authorized

Unlimited number of common shares
Unlimited number of preferred shares

The preferred shares may be issued in one or more series. The terms and conditions attached to those preferred shares will be determined by the Board of Directors upon issuance. The preferred shares rank in preference to the common shares. No preferred shares are issued or outstanding.

Common shares issued and fully paid

	Number	Amount
Balance, June 30, 2014	**372,477,279**	**$ 79,152,157**
Common shares issued as part of vendor settlement (i)	**1,555,800**	**50,187**
Balance, March 31, 2015	**374,033,079**	**$ 79,202,344**

(i) On March 20, 2015 the Company issued 1,555,800 units which comprise 1,555,800 common shares and 1,555,800 warrants, to settle a past due account with a vendor in the amount of $77,790. The warrants have a one year life, and have an exercise price of $0.05 per common share. The settlement value was recorded between share capital and share purchase warrants on a relative fair value basis. The value of the share capital is $50,187 and the value of the share purchase warrants is $27,603. The warrants valuation utilized the following assumptions: volatility 209%, risk free rate 0.46%, dividend rate 0% and an estimated life of one year.

b) Share Purchase Warrants

	March 31, 2015	June 30, 2014
Warrant value, beginning of period	**$ 1,156,638**	$ 5,802,562
Value of warrants expired	**(877,024)**	(4,645,924)
Value of warrants, issued on vendor settlement(Note 15 (a))	**27,603**	-
Value of warrants exercised	**-**	-
Warrant value, end of period	**$ 307,217**	$ 1,156,638

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

	March 31, 2015		June 30, 2014	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	**40,129,328**	**$ 0.17**	50,009,468	$ 0.16
Issued (note 15 (a))	**1,555,800**	**$ 0.05**	-	-
Expired	**(14,845,299)**	**$ 0.21**	(9,880,140)	$ 0.13
Outstanding and exercisable, end of period	**26,839,829**	**$ 0.12**	40,129,328	$ 0.17

The Company subsequent to the March 31, 2015 three and nine month period end, had received approval from the TSXV on the amending agreements. The Company reflected the expiring warrants based on those debenture holders from January 24, 2015 and March 22, 2015 who have signed the amending agreement subsequent to the quarter end as outstanding as at March 31, 2015. Those debenture holders that did not sign the amending agreement from these maturity periods are reflected as expiring on the applicable maturity dates.

The Company has the following warrants outstanding at March 31, 2015:

Number of Warrants	Purchase Price	Expiry Date
1,000,000	$ 0.10	August 31, 2017
1,555,800	$ 0.05	March 20, 2016
19,374,225	$ 0.05	January 24, 2015
1,449,942	$ 0.05	March 22, 2015
2,593,230	$ 0.125	April 9, 2015
866,632	$ 0.125	April 30, 2015
26,839,829		

c) Stock Option Plan

The Company has an incentive Stock Option Plan (the "Plan"). The Plan provides for options to be granted for the benefit of employees, directors, and third parties. The aggregate number of shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of the options granted under the Plan will be determined by the Board of Directors, but will be at least equal to the closing trading price for the common shares for the last trading day prior to the grant and otherwise the fair market value price. The term of any options granted shall not exceed the maximum permitted time period under applicable regulations.

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

	March 31, 2015		June 30, 2014	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**22,830,000**	**$ 0.30**	31,420,000	$ 0.34
Granted	**-**	**$ -**	950,000	$ 0.10
Expired	**(6,445,000)**	**$ 0.17**	(5,300,000)	$ 0.47
Forfeited	**(920,000)**	**$ 0.39**	(4,240,000)	$ 0.32
Outstanding, end of period	**15,465,000**	**$ 0.35**	22,830,000	$ 0.30
Vested and exercisable, end of period	**15,465,000**	**$ 0.35**	22,280,000	$ 0.30

The total stock-based compensation expense relating to options vesting for the three and nine month periods ended March 31, 2015 was $1,175 and $5,400 ($9,596 and $108,348 for the three and nine month periods ended March 31, 2014).

(i) On October 11, 2013, 500,000 stock options were granted, with 250,000 stock options vesting immediately and the remaining 250,000 stock options vesting on October 11, 2014, with an exercise price of $0.10 per common share, expiring on October 11, 2015. The fair value of this stock option grant was $15,000 which is fully vested as at March 31, 2015. The fair value was estimated using the Black-Scholes option pricing model utilizing the following assumptions: dividend yield of 0%; an estimated volatility of 119%; a risk-free interest rate of 1.21%; and an expected life of two years.

(ii) On October 11, 2013 450,000 stock options were granted, with 150,000 stock options vesting immediately, 150,000 stock options vesting in nine months from the issuance date and the remaining 150,000 stock options vesting eighteen months from the issuance date. These stock options have an exercise price of $0.10 per common share, expiring on October 11, 2018. The fair value of this stock option grant was $21,150 which is fully vested as at March 31, 2015. The fair value was estimated using the Black-Scholes option pricing model utilizing the following assumptions: dividend yield of 0%; an estimated volatility of 135%; a risk-free interest rate of 1.65%; and an expected life of four years.

The Company has the following options outstanding at March 31, 2015.

Number of Options	Exercise Price	Remaining Life (years)
1,800,000	**$ 0.43**	**0.98**
7,650,000	**$0.465**	**1.81**
5,065,000	**$ 0.19**	**2.52**
500,000	**$ 0.10**	**0.53**
450,000	**$ 0.10**	**3.53**
15,465,000		

d) Ortsbo Shares (TranzActive business)

Ortsbo has issued a total of 17,832,069 common shares in Ortsbo. The Company owns 16,592,674 common shares in Ortsbo for a 93.05% ownership. Non-controlling parties hold 1,239,395 common shares in Ortsbo for a combined ownership of 6.95%.

The Company records the losses attributed to the non-controlling interest as a reduction to the Company's net and comprehensive loss.

Adjustments to the non-controlling interest amounts reflecting the adjustment to the percentage ownership of net assets in TranzActive are recorded in the consolidated statement of changes in equity.

16. Other Income

	Three month period ended March 31,		Nine month period ended March 31,	
	2015	**2014**	**2015**	**2014**
Loss on foreign exchange	**$ (440,224)**	$ (177,557)	**$ (707,403)**	$ (164,599)
Financing fees (i)	**(19,394)**	(297,446)	**(73,478)**	(363,748)
Fair Value adjustment to Spry Shares (ii)	**-**	-	**-**	60,474
Gain on Sale of investment in Poynt (ii)	**-**	-	**-**	855,797
Other income (iii)	**150,014**	766,551	**891,315**	766,551
Fair value adjustment for convertible debentures (iv)	**(201,959)**	(14,066)	**680,500**	(27,930)
Gain on Sale of ItiBiti platform (note 8)	**-**	-	**1,650,000**	250,000
Gain on Sale of Tunezy Inc.	**-**	-	**-**	34,842
Gain on Sale of Shiny Inc. (note 10)	**-**	-	**573,100**	-
Impairment Losses	**-**	(132,152)	**-**	(132,152)
	$ (511,563)	$ 145,330	**$ 3,014,034**	$ 1,279,235

(i) Financing fees include arrangement fees, drawdown fees, direct legal costs incurred as part of closed financing and direct fees for financing efforts that have not closed.

(ii) Please see note 8 for information related to Poynt and Spry gains.

(iii) During the three and nine month periods ended March 31, 2015 and 2014, the Company entered into settlements and payment plans with various vendors which resulted in a reduction in amounts owing from the Company to those vendors. The reduction in payables has been recorded as other income. For the most significant impact see note 18.

(iv) As part of the revaluation of convertible debentures in Yappn and TranzActive, fair value adjustments are recorded to reflect the change in fair value of the debt and its components such as the conversion feature and attached warrants. See notes 13 and 24.

17. Interest Expense

	Three month period ended March 31,		Nine month period ended March 31,	
	2015	**2014**	**2015**	**2014**
Interest accretion on convertible debentures, and promissory note payable	**$ (38,750)**	$ (69,963)	**$ (198,230)**	$ (268,908)
Interest accretion on note receivable	**17,544**	-	**37,555**	-
Interest on convertible debentures	**(89,891)**	(89,891)	**(273,670)**	(275,297)
Interest on TranzActive debentures	**(61,055)**	(57,499)	**(185,878)**	(164,804)
Interest income	**5,775**	10,664	**18,823**	33,453
Interest on promissory notes payable, Yappn loans and line of credit	**(168,568)**	(71,122)	**(416,267)**	(140,479)
Other interest	**-**	(2,940)	**-**	(9,645)
	$ (334,945)	$ (280,751)	**$ (1,017,667)**	$ (825,680)

18. Commitments

The minimum annual commitments required under the Company's property, consulting contracts and operating leases are as follows:

2015	**$ 121,321**
2016	**193,891**
2017	**104,913**
2018	**104,913**
2019	**26,228**
	$ 551,266

Settlement of prior sponsorship commitments

During the first quarter of fiscal 2015 there was a settlement between the Company and a significant sponsor, for which the Company was afforded the right to make use of certain advertising and facilities, and had a significant amount outstanding under the contract. As a result of the negotiations, the Company and the sponsor settled for an agreed upon amount of $350,000 USD, payable in $50,000 USD payments to be completed in Fiscal 2015. As a result of the settlement the Company recorded a gain of $627,598 to remove previously recorded net obligations to this sponsor. No additional obligations occurred during the subsequent event period before the settlement was finalized.

19. Related Party Transactions

(i) Compensation to key management personnel is as follows:

	Three month period ended March 31,		Nine month period ended March 31,	
	2015	2014	**2015**	2014
Salaries	**$ 133,000**	$ 177,750	**$ 415,167**	$ 541,042
Bonuses	**-**	-	**-**	-
Stock-based compensation	**-**	4,534	**1,875**	77,945
	$ 133,000	$ 182,284	**$ 417,042**	$ 618,987

(ii) An officer and director of the Company, who is also a shareholder, advanced working capital to the Company in addition to directly paying certain debtors. During the nine month period ended March 31, 2015 total advances were $538,591 ($892,254 for the nine month period ended March 31, 2014) and repayments were $708,500 ($791,320 for the nine month period ended March 31, 2014).

The total amount owing to the director as at March 31, 2015 relating to working capital assistance and direct debtor payments is $72,820 (June 30, 2014 - $242,729). The amount is repayable on demand and without interest.

(iii) The former president of a wholly owned subsidiary of the Company advanced working capital to the Company in addition to directly paying certain debtors. During the nine month period ended March 31, 2015 total advances were $144,248 ($545,680 for the nine month period ended March 31, 2014) and repayments were $130,128 ($456,394 for the nine month period ended March 31, 2014).

The total amount owing to the former president of a wholly owned subsidiary related to working capital assistance was $179,481 as at March 31, 2015 (June 30, 2014 $165,361). The amount is repayable on demand and without interest.

20. Financial Risk Factors

The Company is exposed in varying degrees to a variety of financial instrument related risks:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer, investee or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Company's accounts receivable, and promissory notes receivable.

In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. To mitigate this risk the Company reviews the creditworthiness of material new customers, monitors customer payment performance and, where appropriate, reviews the financial condition of existing customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers and economic circumstances.

The Company's trade receivables have a gross value of $1,164,911 as at March 31, 2015 (June 30, 2014 - $342,851), and the promissory notes have a gross value of $2,180,325 (June 30, 2014 $478,625) representing a maximum exposure to credit risk of $3,345,236 as at March 31, 2015 for those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within the range of 30 to 60 days. Terms for the promissory notes receivable are described in notes 8 and 26. The amount of accounts receivable that is greater than 90 days past due that is not already reserved for is $265,605 as at March 31, 2015 (June 30, 2014 - $nil).

At March 31, 2014, the Company's allowance for doubtful accounts was $nil (June 30, 2014 - $nil). The Company recognizes an allowance for doubtful accounts based on specific account analysis, and amounts are written off when determined to be uncollectable. Management believes that credit risk with respect to financial instruments included in trade accounts receivable and promissory notes receivable is remote.

The Company may also have credit risk relating to cash and cash equivalents, which it manages by dealing with large chartered banks in Canada and the United States. Three financial institutions held all of the Company's cash and cash equivalents at March 31, 2015.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company has sustained losses over the past several years and is still generating negative cash flows from its operations. At March 31, 2015, the Company had net cash of $257,293 (June 30, 2014 - $59,710). The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. The Company monitors its financial position regularly and updates its expected use of cash resources based on the latest available data.

There are significant uncertainties related to the timing and use of the Company's cash resources (see note 3). These uncertainties include, but are not limited to, the volume of sales, customer acceptance of its solutions, ability to control operating expenses and secure financing for capital expenditures, and the fluctuation of exchange rates. The Company requires additional equity or debt financing in fiscal 2015 in order to continue its operations.

Market Risk

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

Interest Rate Risk

Interest rate risk arises because of the fluctuation in interest rates. The Company's objective in managing interest rate risk is to minimize the interest expense on liabilities and debt. The Company does not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates as the interest rates that it pays are fixed on its various debt liabilities.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in the exchange rates between the functional currency and foreign currencies will affect the Company's operating and financial results. The Company is exposed to currency fluctuation as it has US dollar ("USD") denominated monetary assets and liabilities.

The carrying amounts of the Company's foreign currency denominated financial assets and liabilities at the end of the reporting period are as follows (in USD):

	March 31, 2015	June 30, 2014
Assets	**$ 2,283,634**	$ 1,814,589
Liabilities	**$ 7,418,728**	$ 6,304,782

If a shift in foreign exchange rates of 10% as at March 31, 2015 were to occur, the exchange gain or loss on the net financial assets could be plus or minus less $513,509, and this amount would be recorded in the consolidated statement of operations and comprehensive loss.

21. Economic Dependence

The Company's continuing operations are in the early stages of revenue development and therefore revenues and accounts receivables of the continuing operations are concentrated amongst a small number of customers.

22. Capital Disclosures

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide a return to shareholders and to ensure sufficient resources are available to meet day to day operating requirements.

The Company considers the items included in shareholders' equity (currently a deficiency) as capital. The Company manages its capital structure and makes adjustments to it, based on funds available to the Company or in light of changes in economic conditions and the risk characteristics of the underlying assets.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The capital management objectives for fiscal 2015 remain the same as those of the previous fiscal year.

23. Provisions and Contingencies

The Company is involved from time to time in litigation, as plaintiff and defendant, which arises in the normal course of business.

The Company is not aware of any claims being filed or contemplated against the Company which would have a significant effect on these interim financial statements.

24. Yappn' Corp.

As at March 31, 2014, the Company owns approximately 63.82% of Yappn's stock and controls and consolidates the results of Yappn into its own interim financial statements. The Company intends to retain at least 45,000,000 of the originally issued 70,000,000 Yappn shares, leaving up to 25,000,000 Yappn shares available to pledge to third parties, which upon the completion of the registration process could reduce the Company's ownership in Yappn to below 50%. The Company records the losses attributed to the non-controlling interest as a reduction to the Company's net and comprehensive loss.

The table below summarizes the financing raised in Yappn' which is consolidated into the interim financial statements of the Company:

	March 31, 2015	June 30, 2014
Convertible debentures and warrants (i)	**$ 3,677,513**	$ 3,439,783
Short term loans and line of credit (ii)	**$ 3,495,885**	$ 964,620

Yappn's debt is classified as current if it has a remaining term to maturity of less than one year from the applicable reporting date. As at March 31, 2015, $2,001,895 of Yappn's convertible debentures and warrants is classified as a current liability with the remaining $1,675,618 classified as a non-current liability. As at March 31, 2015, Yappn's convertible debentures and warrants were all classified as non-current liabilities.

All of the Yappn financial instruments described below are valued as single liability instruments with the maximum value on inception attributed to the liability instrument being the total proceeds raised for each convertible debt financing. Subsequent to inception, fair value adjustments are recorded for the various financial instruments which relates to accretion of the debt component of the instrument at market rates (18%) to the respective face values of the debt over time and fair value adjustments to the derivative (such as conversion features and warrants) based on valuation model inputs which include, volatility of 150%, risk free rates between 0.11%-0.54%, stock prices in Yappn common stock between $0.05 and $0.17, with no dividends assumed. The Yappn common stock price was $0.06 at March 31, 2015 and

$0.17 at June 30, 2014. Fair value adjustments for the three and nine month period ending March 31, 2015 were $(196,778) and $716,680.

(i) On November 15, 2013, Yappn entered into a convertible debenture note for $500,000 USD of which advances will be drawn over time. Yappn borrowed a total principal amount of $235,000 USD against this note, of which $90,000 USD was repaid and $145,000 USD had been converted into common shares in Yappn. The convertible debenture bore a lump sum interest rate of 12% 90 days from the advance date, payable on conversion in the form of Yappn common shares or in cash on repayment of the note. The note carried an original issue discount of 10% and originally matured on November 15, 2015. The convertible debenture was convertible 180 days post each advance at a conversion price at the lower of 10 cents and a variable component of a 40% discount to the lowest share price in Yappn for a specified period prior to conversion. On February 10, 2015 Yappn and the lender mutually terminated the note.

During the fiscal 2014 and fiscal 2015 Yappn received subscription financing in the form of two series of convertible debentures with attached warrants.

The first convertible debenture series had closings for a total value of $1,169,000 USD which closed during the Company's third and fourth quarters of fiscal 2014. The debentures bear interest of 6% payable on maturity or as part of the conversion into Yappn common shares. Interest expense of $17,295 and $52,653 USD was recognized during the three and nine month periods ended March 31, 2015 ($6,598 for the three and nine month periods ended March 31, 2014). The convertible debentures are repayable in two years from the date of issuance. The debentures are convertible at an exercise price of $0.10 per share. Attached to each convertible debenture are two series of warrants each with a five year term, series A with an exercise price of $0.10 and 11,690,000 common shares issuable and series B with an exercise price of $0.20 and 11,690,000 common shares issuable.

The second debenture series had closings for total proceeds of $1,300,000 USD and were raised during the Company's fourth quarter of fiscal 2014. $225,000 USD in additional debentures was raised during Fiscal 2015. The debentures bear interest of 6% payable on maturity of as part of the conversion into Yappn common shares. Interest expense of $21,822 and $64,635 USD was recognized during the three and nine month periods ended March 31, 2015. The convertible debentures are repayable in two years from the date of issuance. The debentures are convertible at an exercise price of $0.15 per share. Attached to each convertible debenture is one warrant with a five year term, with an exercise price of $0.22 and 8,666,667 common shares issuable.

During the second and third quarter of Fiscal 2015, Yappn entered into convertible debenture notes for a combined $522,750 USD advanced into Yappn. The convertible debentures bear interest rates between 8%-15% payable on conversion in the form of Yappn common shares or in cash on repayment of the note. The notes have maturities between six and twelve months. The convertible debentures are convertible 180 days post each advance date at a conversion price at a variable component between 40%-50% discount to the lowest or an average of lowest two or three days common share prices in Yappn for a 10-25 day period prior to conversion. Each debenture has an early prepayment clause enabling Yappn to repay the debentures at penalties ranging from 25 to 50% within six months from the issuance date.

(ii) On July 10, 2013, Yappn borrowed $350,000 from a private investor in the form of a term loan. The loan had an original term of six months and was interest free for the first 120 days and 1% per month for the remainder with a final bullet payment due at the end of the term. As a result of favourable terms to the Company, the fair value of the loan was estimated at $322,200 using an imputed interest rate of 18%. Yappn recorded accretion interest of $27,800 during fiscal 2014 and the loan was recorded at the face value of $350,000 as at the date of the original maturity date of the loan. During the third quarter of fiscal 2014, the Company converted the original promissory note into a one year note maturing July 10, 2014 bearing interest at 6%. In conjunction with this promissory note, the investor converted $100,000 USD into a convertible debenture in the first series offered by Yappn. In addition $50,000 was repaid during the fourth quarter, leaving a remaining balance on the loan of $189,720 as at December 31, 2014. The loan will continue to carry interest at the stated rate past the due date. Interest expense for this loan for the three and nine month periods ended March 31, 2015 was $2,807 and $8,545 ($5,178 and $15,189 for the three and nine month periods ended March 31, 2014).

On January 7, 2014, Yappn borrowed $280,000 from a private investor. The loan carried a three month term with interest rate of 12% payable at maturity and an arrangement fee of 10%. During the fourth quarter of fiscal 2014, the Company repaid $152,000 against this loan. The investor subsequently converted the remainder of the outstanding loan, less an amount of $28,000 as part of a convertible debenture subscription.

On July 17, 2014, Yappn borrowed $110,000 from a private investor. The loan had a maturity date of December 31, 2014 with interest rate of 12% payable at maturity and an arrangement fee of $1,100. During fiscal 2015 the Company repaid $105,000 against this loan. Interest expense of $794 and $5,025 was recognized for this loan for the three and nine month periods ended March 31, 2015.

On August 4, 2014 Yappn borrowed $100,000 from a private investor. The term of the loan was for two weeks with an interest rate of 12% and a preparation fee of $2,500. The Company repaid $25,000 during the first quarter of fiscal 2015, but the remainder is outstanding. Interest expense of $2,219 and $6,066 was recognized for this loan for the three and nine month periods ended March 31, 2015.

On March 30, 2015, Yappn borrowed $250,000 USD from a private investor for a flat 4% fee. The amount was repaid subsequent to the Company's quarter end in full.

On March 26, 2014, Yappn received an advance of $150,000 USD on a loan agreement and promissory note, which was finalized on April 7, 2014. The loan is in the form of a revolving line of credit of up to $3,000,000 USD. Yappn has drawn a net total of $2,275,000 USD against this line of credit as at March 31, 2015. The loan carries 1% interest per month, includes a 1% drawdown fee and a one time arrangement fee of $60,000 USD. Interest of $63,405 and $137,245 USD was recognized for the three and nine month periods ended March 31, 2015. 8,000,000 warrants in Yappn were issued as part of the loan agreement at an exercise price of $0.10 per share.

(iii) Yappn adopted a stock option plan during the Company's first quarter. Yappn has completed its first grant during the first quarter of fiscal 2015 and its second grant during the Company's third quarter of fiscal 2015. Stock based compensation expense was recorded for the first grant in the amount of $70,378 and $679,179 USD during the three and nine month periods ended March 31, 2015. Stock based Compensation for the second grant in the amount of $233,067 USD was recorded during the three and nine month period ended March 31, 2015. Stock based compensation is heavily weighted to the grant date for both grants due to certain employee options having immediate vesting terms. Yappn's officers and certain management have vesting terms of one third immediately vesting, one third vesting after one year elapses and one third vesting after two years elapse. All stock options were issued with an exercise price of $0.10 in Yappn common stock which was at or above the market price of Yappn common stock on the grant date. Since the non-controlling interest is not impacted by this issuance, the amount was recorded in its entirety as a component of contributed surplus in these interim financial statements.

25. Supplementary Cash Flow Information

The Company did not have any taxes paid in cash for the three and nine month periods ended March 31, 2015 and 2014. The Company's interest paid in cash was $86,567 and $224,312 for the three and nine month periods ended March 31, 2015 ($30,873 and $62,043 for the three and nine month periods ended March 31, 2014).

26. Discontinued Operations

On January 9, 2014, The Company signed a binding letter of intent, to sell the assets of Magnum Fine Commercial Printing Limited to Media-Vision of 1175286 Ontario Inc, a privately held Canadian corporation for the fixed purchase price of $1.5 Million, with scheduled payment terms based on time and revenue measures. At the time of management's decision to sell the assets of Magnum, the assets of Magnum were reclassified as assets held for sale, with non-current assets being recorded at the lower of carrying amount or the fair value less costs to sell. The Company will retain the rights to receivables and certain obligations that exist prior to the closing date. The sale was completed on September 2, 2014.

The results of discontinued operations are set out below. The comparative net loss from discontinued operations includes those operations classified as discontinued in the current period.

	Three month period ended March 31,		**Nine month period ended March 31,**	
	2015	**2014**	**2015**	**2014**
Revenue	**$ -**	$ 571,740	**$ 408,307**	$ 1,778,263
Cost of goods sold	**-**	337,821	**268,078**	1,155,574
Gross Profit	**-**	233,919	**140,229**	622,689
Operational Expenses	**-**	(202,058)	**(178,240)**	(630,311)
Amortization and depreciation	**-**	-	-	(79,998)
Impairments		(87,045)		(87,045)
Other Income	**-**	-	**1,062,709**	-
Interest expense	**-**	(4,107)	**(2,724)**	(12,588)
Net (Loss)Gain from discontinued operations	**$ -**	$ (59,291)	**$ 1,021,974**	$ (187,253)

On September 2, 2014 the Company finalized its sale of Magnum as described above. The Company received a payment of $200,000 on the close of the sale, and will receive the remaining $1,300,000 over time. The $1,300,000 is not contingent; the payments are variable based on the revenue levels of Magnum under the operation of Media Vision. The payments are rebalanced on a quarterly basis with the first monthly payment received on December 15, 2014, which was consistent for January 15, 2015 and February 15, 2015. The quarterly payments were rebalanced for the March-May period. This process will continue on a quarterly basis.

The Company holds a security interest against the assets of Magnum with a guarantee from the parent Company Media Vision against the promissory note of $1,300,000 from the sale of Magnum. The Company has a subordinate security position to the acquiring entity's bank, which under contract the first $550,000 of assets in a liquidation circumstance in Magnum would go to the bank.

At September 2, 2014 the Company recorded a receivable balance owed from Media Vision in the amount of $1,105,972. The gross receivable of $1,300,000 was discounted at an interest rate of 8% which is considered by management to be appropriate for a secured lending arrangement with an established business in a known market. The Company originally discounted the promissory note over a period of four years to reflect the most recent fiscal year's revenue run rate for Magnum. Due to lower than anticipated revenue results, management has increased this estimated repayment period to four and a half years during the third quarter of fiscal 2015. The revenue run rate could increase or decrease and management will continue to reassess this discounting estimate based on performance and applicable changes in circumstances. Interest accretion is recorded to reflect the impact of discounting over time as the Company receives payments from Media Vision and as time elapses. Accretion for the three and nine months period ended March 31, 2015 was $17,544 and $37,555. A gain of $1,062,709 was recorded on the sale of Magnum, which reflects the cash proceeds on close, plus the discounted receivable from Media Vision less the assets sold to Media Vision under the asset purchase agreement.

As part of the sale of Magnum, property, equipment and inventory are no longer under the ownership of the Company. Cash, bank loans, accounts payable and accounts receivable remain under the ownership and obligations of the Company. On closing, the Company repaid its bank line and credit card liabilities associated with the Magnum business, and liquidated its GIC. After the close date, the Company has, and will continue to have only inconsequential activity through the interim financial statements, which would include any uncollectible receivables, or liabilities that are settled for less than their carrying amount, the settlement of payables and receivables in Magnum that were part of its business prior to the September 2, 2014 close date and the payments received against its long term receivable from Media Vision.

27. Subsequent Events

Subsequent to the three and nine month periods ended March 31, 2015, the following events occurred:

Convertible debentures

The convertible debentures due on April 9, 2015 and April 30, 2015 have not currently been repaid or converted into common shares of the Company. The Company has offered to the debenture holders an amending agreement to the debenture and attached warrants. The amendment provides an extension of the maturity day by one year, and a repricing of the effective conversion price to $0.05 from $0.12 in equivalent common shares and a repricing of the warrants to $0.05 from $0.125. In conjunction with the amending agreement the Company has also provided an option to debenture holders to request after 90 days a proposal to repay the convertible debentures in cash (a 30 day timeline from that date to propose the plan past the date of notification).

On April 8, 2015 debenture holders with the aggregate principle amount of $2,568,000 have agreed to the amended terms as stated above. The Company is in the process of determining if the remaining debenture holders will sign the amending agreements for which a second approval from the TSXV will be obtained to effect that amendment.

Conversions of convertible debentures into common shares

In conjunction with the repricing of the convertible debentures as described in note 14 and above, there has been a total of $236,000 of aggregate principle and $56,785 in accrued interest converted into common shares of the Company during the subsequent events period.

28. Reclassification of Comparative Prior Period Financial Statements

Certain financial statement line items in the prior period financial statements presented in these interim financial statements have been reclassified to conform to the classification adopted for the three and nine month periods ended March 31, 2015 as presented in these interim financial statements.