SNIPP INTERACTIVE INC.

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

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Independent Auditor's Report

To the Shareholders of SNIPP Interactive Inc.

We have audited the accompanying consolidated financial statements of SNIPP Interactive Inc., which comprise the consolidated statement of financial position as at December 31, 2014 and 2013, and the consolidated statements of operations and comprehensive loss, changes in equity (deficiency), and cash flows for the years ended December 31, 2014, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards and Public Company Accounting Oversight Board (PCAOB) 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SNIPP Interactive Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014, 2013 and 2012 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed: "MNP LLP"

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 2, 2015

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

	December 31, 2014	December 31, 2013
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 1,529,457	$ 213,046
Accounts receivable, net of allowance for doubtful accounts of $57,582 (2013 - $15,000)	523,793	345,261
HST receivable	17,026	5,704
Marketable securities	26	132
Deposits and prepaid expenses	75,661	25,287
	2,145,963	589,430
Equipment (Note 5)	18,756	16,198
Intangible assets (Note 6)	341,665	212,879
	$ 2,506,384	$ 818,507
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current		
Deferred revenue (Note 2)	$ 548,200	$ -
Accounts payable and accrued liabilities	313,776	115,188
Due to related parties (Note 7)	399,578	208,476
	1,261,554	323,664
Derivative liability (Note 8)	1,613,526	61,077
	2,875,080	384,741
Shareholders' (deficiency) equity		
Common shares (Note 9)	3,510,527	1,897,817
Share subscriptions	-	17,159
Warrants (Note 9)	421,796	534,153
Contributed surplus	681,600	329,040
Deficit	(4,766,618)	(2,201,752)
Accumulated other comprehensive loss	(216,001)	(142,651)
	(368,696)	433,766
	$ 2,506,384	$ 818,507

Subsequent events (Note 16)

Approved and authorized by the Board of Directors on April 2, 2015.

"Atul Sabharwal" Director — *"Ritesh Bhavnani"* Director

Atul Sabharwal — Ritesh Bhavnani

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

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

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
REVENUE			
Campaign revenue	$ 3,562,045	$ 870,420	$ 511,854
EXPENSES			
Salaries and compensation (Note 7)	1,573,933	1,098,609	1,117,689
General and administrative	143,945	84,407	124,876
Campaign infrastructure	2,431,221	119,986	91,018
Software development	170,020	101,679	75,861
Professional fees	98,433	41,086	141,662
Marketing and investor relations	40,595	70,169	174,676
Travel	113,049	67,675	85,875
Bad debt expense	42,582	15,000	12,000
Amortization of intangibles (Note 6)	71,519	42,821	13,905
Depreciation of equipment (Note 5)	5,643	4,908	3,366
Stock-based compensation (Note 9)	159,939	229,890	99,150
Strategic sales partnership compensation (Note 10)	-	(174,931)	174,931
	4,850,879	1,701,299	2,115,009
Net loss before interest and other income, foreign exchange, accretion on note receivable, unrealized loss on marketable securities, listing expense, change in fair value of derivative liability	(1,288,834)	(830,879)	(1,603,155)
Interest and other income, foreign exchange, accretion on note receivable, unrealized loss on marketable securities, listing expense, change in fair value of derivative liability			
Interest income	6,550	3,397	10,919
Other income	-	-	15,787
Accretion on note receivable	-	-	4,018
Foreign exchange gain	-	106,961	-
Unrealized loss on marketable securities	(97)	(343)	(3,524)
Listing expense (Note 14)	-	-	(514,284)
Change in fair value of derivative liability (Note 8)	(1,282,485)	796,461	(147,650)
Net (loss) income for the year	(2,564,866)	75,597	(2,237,889)
OTHER COMPREHENSIVE LOSS			
Cumulative translation adjustment	(73,350)	(120,686)	(21,705)
Comprehensive loss for the year	$ (2,638,216)	$ (45,089)	$ (2,259,594)
Basic and diluted loss per common share	$ (0.04)	$ 0.00	$ (0.05)
Weighted average number of common shares outstanding	63,394,638	48,952,364	41,590,109

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

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

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income for the year	$ (2,564,866)	$ 75,597	$ (2,237,889)
Items not involving cash:			
Amortization of intangibles	71,519	42,821	13,905
Depreciation of equipment	5,643	4,908	3,366
Other income	-	-	(15,787)
Stock-based compensation	159,939	229,890	99,150
Strategic sales partnership compensation	-	(174,931)	174,931
Listing expense	-	-	514,284
Change in fair value of derivative liability	1,282,485	(796,461)	147,650
Changes in non-cash working capital items:			
Accounts receivable	(178,532)	(143,327)	(131,814)
HST receivable	(11,322)	5,674	(11,378)
Deposits and prepaid expenses	(50,374)	28,759	(33,740)
Deferred revenue	548,200	(60,326)	50,161
Accounts payable and accrued liabilities	198,588	(22,457)	47,952
Due to related parties	191,102	153,926	10,430
Net cash flows used in operating activities	(347,618)	(655,927)	(1,368,779)
CASH FLOWS FROM INVESTING ACTIVITIES			
Note receivable	-	50,255	(50,255)
Marketable securities	106	371	(503)
Additions to equipment	(8,201)	-	(24,472)
Additions to intangible assets	(200,305)	(128,515)	(141,090)
Net cash flows used in investing activities	(208,400)	(77,889)	(216,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash acquired from Transaction	-	-	276,551
Proceeds from common shares issued	2,006,330	417,736	2,030,600
Share issuance costs	(159,424)	(18,017)	(210,585)
Proceeds from share subscriptions	-	17,159	-
Proceeds from warrants exercised	89,559	-	-
Proceeds from options exercised	9,314	-	100,650
Net cash flows provided by financing activities	1,945,779	416,878	2,197,216
Effect of exchange rate changes	(73,350)	(120,686)	(21,705)
Change in cash for the year	1,316,411	(437,624)	590,412
Cash and cash equivalents, beginning of year	213,046	650,670	60,258
Cash and cash equivalents, end of year	$ 1,529,457	$ 213,046	$ 650,670

Supplemental disclosure regarding cash flows (Note 11)

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

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

	Common Shares	Amount	Preferred Shares	Amount	Share Subscriptions	Warrants	Warrants - Strategic Sales Partnership	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2011	1,998,020	$ 1,998	700,000	$ 700	$ -	$ -	$ -	$ -	$ (260)	$ (39,460)	$ (37,022)
Elimination of Consumer Impulse common and preferred shares	(1,998,020)	700	(700,000)	(700)							-
Notionally Snipp acquires Alya	10,550,000	814,969	-	-	-	-	-	-	-	-	814,969
Transaction shares issued by Alya	23,142,305	-	37,499,997	3,807	-	-	-	-	-	-	3,807
Fair value of derivative liability on 6,188,688 Transaction warrants	-	(404,796)	-	-	-	-	-	-	-	-	(404,796)
Redemption of preferred shares	-	-	(37,499,997)	(3,807)		-	-	-	-	-	(3,807)
Financing shares issued	13,333,333	2,030,600	-	-	-	-	-	-	-	-	2,030,600
Fair value of derivative liability on 13,333,333 Financing warrants	-	(677,682)	-	-	-	-	-	-	-	-	(677,682)
Financing issuance costs	-	(210,585)	-	-	-	-	-	-	-	-	(210,585)
Fair value of 1,333,333 Broker warrants	-	(112,357)	-	-	-	112,357	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	-	99,150	-	-	99,150
Strategic sales partnership compensation	-	-	-	-	-	-	174,931	-	-	-	174,931
Stock options exercised	422,000	44,566	-	-	-	-	-	-	-	-	44,566
Agent's options exercised	605,000	59,891	-	-	-	-	-	-	-	-	59,891
Cumulative translation adjustment	-	-	-	-	-	-	-	-	(21,705)	-	(21,705)
Net loss for the year	-	-	-	-	-	-	-	-	-	(2,237,889)	(2,237,889)
Balance, December 31, 2012	48,052,638	1,547,304	-	-	-	112,357	174,931	99,150	(21,965)	(2,277,349)	(365,572)
Private placement shares issued	2,000,000	192,520	-	-	-	-	-	-	-	-	192,520
Private placement shares issued	2,400,000	225,216	-	-	-	-	-	-	-	-	225,216
Fair value of derivative liability on 1,200,000 Financing warrants	-	(49,206)	-	-	-	-	-	-	-	-	(49,206)
Financing issuance costs	-	(18,017)	-	-	-	-	-	-	-	-	(18,017)
Share subscriptions	-	-	-	-	17,159	-	-	-	-	-	17,159
Stock-based compensation	-	-	-	-	-	-	-	229,890	-	-	229,890
Strategic sales partnership compensation	-	-	-	-	-	-	(174,931)	-	-	-	(174,931)
Fair value of amended transaction warrants	-	-	-	-	-	421,796	-	-	-	-	421,796
Cumulative translation adjustment	-	-	-	-	-	-	-	-	(120,686)	-	(120,686)
Net income for the year	-	-	-	-	-	-	-	-	-	75,597	75,597
Balance, December 31, 2013	52,452,638	1,897,817	-	-	17,159	534,153	-	329,040	(142,651)	(2,201,752)	433,766
Share subscriptions	-	-	-	-	(17,159)	-	-	-	-	-	(17,159)
Private placement shares issued	6,350,000	573,469	-	-	-	-	-	-	-	-	573,469
Fair value of derivative liability on 3,175,000 Financing warrants	-	(408,033)	-	-	-	-	-	-	-	-	(408,033)
Financing issuance costs	-	(40,338)	-	-	-	-	-	-	-	-	(40,338)
Warrants expired	-	-	-	-	-	(112,357)	-	112,357	-	-	-
Private placement shares issued	10,400,000	1,450,020	-	-	-	-	-	-	-	-	1,450,020
Financing issuance costs	-	(119,086)	-	-	-	-	-	-	-	-	(119,086)
Fair value of 792,000 finder's unit options	-	(80,264)	-	-	-	-	-	80,264	-	-	-
Stock options exercised	100,000	9,314	-	-	-	-	-	-	-	-	9,314
Warrants exercised	625,000	227,628	-	-	-	-	-	-	-	-	227,628
Stock-based compensation	-	-	-	-	-	-	-	159,939	-	-	159,939
Cumulative translation adjustment	-	-	-	-	-	-	-	-	(73,350)	-	(73,350)
Net loss for the year	-	-	-	-	-	-	-	-	-	(2,564,866)	(2,564,866)
Balance, December 31, 2014	69,927,638	$ 3,510,527	-	$ -	$ -	$421,796	$ -	$ 681,600	$ (216,001)	$ (4,766,618)	$ (368,696)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Snipp Interactive Inc. (the "Company" or "Snipp") (formerly Alya Ventures Ltd.) was incorporated under the *Business Corporations Act* (British Columbia) on January 21, 2010 and was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company was to negotiate an acquisition or participation in a business subject to acceptance by regulatory authorities and, in certain cases, shareholder approval (the "Qualifying Transaction").

On March 1, 2012, the Company completed its Qualifying Transaction (the "Transaction") with Consumer Impulse, Inc. ("Consumer Impulse") and a concurrent financing whereby the Company acquired all of the issued and outstanding securities of Consumer Impulse in exchange for the issuance of securities of the Company. For accounting purposes, this share exchange is treated as a reverse takeover with Consumer Impulse being the accounting acquirer and the go-forward financial statements reflect Consumer Impulse's history from its inception on March 30, 2007 (Note 14).

Consumer Impulse was incorporated under the laws of the State of Delaware on March 30, 2007 and its business is to provide a full suite of mobile marketing services in the US, Canada and internationally. The business of Consumer Impulse has become the business of the Company. During the year ended December 31, 2013, Consumer Impulse changed its name to Snipp Interactive Inc.

Unless otherwise indicated in these consolidated financial statements, references to "$" are to U.S. dollars, and references to "C$" are to Canadian dollars.

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

During the year ended December 31, 2014, the Company recognized net loss of $2,564,866 and used cash of $347,618 in operating activities. During the year ended December 31, 2014, the Company recognized net loss before interest income, foreign exchange, unrealized loss on marketable securities, change in fair value of derivative liability, of $1,282,485 At December 31, 2014, the Company had working capital of $884,409 and a deficit of $4,766,618

The registered address, head office, principal address and records office of the Company are located at 6708 Tulip Hill Terrace, Bethesda, Maryland, 20816.

The consolidated financial statements were authorized for issuance by the Board of Directors on April 2, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on IFRS in effect as at December 31, 2014.

Basis of presentation

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned legal subsidiaries Snipp Interactive Inc. (formerly Consumer Impulse, Inc.), which was incorporated in Delaware, USA on March 30, 2007 and Snipp Canada Inc., which was incorporated in Canada on June 17, 2009. All material inter-company balances and transactions have been eliminated.

Equipment

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

Office equipment	5 years	Straight-line
Computer equipment	5 years	Straight-line

Intangible assets

<u>Software platform</u>

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

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

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

Use of estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Use of estimates (cont'd…)

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

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

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

iv) The estimates used in determining the fair value for the Derivative Liability, which is composed of valuations of Financing warrants, as defined and described in Note 9, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model as disclosed in Note 8.

Revenue recognition

The Company provides a full suite of promotions-related marketing services in the US, Canada and internationally, and generates revenue by designing, constructing, implementing and managing these promotions marketing services for its customers. Revenue is recognized in the period in which the services are rendered to the customer and collection is reasonably assured. Cash received in advance of services performed is recorded as deferred revenue.

Arrangements with multiple deliverables

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

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years. Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currencies

IFRS requires that the functional currency of each entity in the consolidated group be determined separately and that each entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian Dollar, the functional currency of the legal subsidiary, Snipp Interactive Inc. (formerly Consumer Impulse, Inc.), is the U.S. Dollar and the functional currency of its subsidiary, Snipp Canada Inc., is the Canadian Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21").

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

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized in other comprehensive income or loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents, marketable securities and derivative liability at fair value through profit or loss. The Company's accounts receivable, and HST receivable, are classified as loans and receivables. The Company's due to related parties and accounts payable and accrued liabilities are classified as other financial liabilities.

Disclosures are also required on the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See Note 12 for relevant disclosures.

Warrants

The Company generally has two types of warrants: Transaction Warrants, which were issued as a result of Company's Qualifying Transaction on March 1, 2012; and, Financing Warrants, which are issued as a result of the various private placements completed by the Company.

When such warrants have an exercise price denominated in a different currency than the functional currency of the Company these warrants are recorded at their fair value as a derivative liability and classified as fair value through profit or loss. Specifically, if the exercise price of a Financing Warrant is denominated in Canadian dollars the warrants recorded at their fair value and are classified as a derivative liability with the residual amount of the proceeds being allocated to the common shares. Where the exercise price is in the functional currency, the related warrants are not separated from the equity units, the proceeds from which are recorded to the common shares.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying value and its fair value. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

Loss per share

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

Share-based payments

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

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

(Expressed in U.S. Dollars unless otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent accounting pronouncements

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The effective date of IFRS 9 is January 1, 2018. The Company intends to adopt the standard on its effective date and has not yet evaluated the impact on the consolidated financial statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 is effective for periods beginning on or after January 1, 2017 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. Management is in the process of determining the extent of the impact of adoption of IFRS 15 and the possibility of early adoption.

3. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Cash on deposit	$ 729,521	$ 123,727
Cashable Guaranteed Investment Certificates	799,936	89,319
Total	$ 1,529,457	$ 213,046

As at December 31, 2014 the Company held C$928,000 in Cashable Guaranteed Investment Certificates (GIC). The terms of the GICs are as follows:

Investment	Amount Invested	Interest Rate	Maturity Date
GIC #1	C$928,000	P-1.95%	July 13, 2015

(Expressed in U.S. Dollars unless otherwise noted)

4. ECONOMIC DEPENDENCE AND SEGMENTED INFORMATION

Significant customers

As at December 31, 2014, three customers accounted for 50% of accounts receivable. One customer accounted for 58% of revenue for the year ended December 31, 2014. Sales from this customer during the year ended December 31, 2014 amounted to $2,073,009. Five customers accounted for 77% of accounts receivable and two customers accounted for 48% of revenue for the year ended December 31, 2013. Sales from these two customers amounted to $311,126 and $104,700, which represented 36% and 12% of total revenue respectively. Seven customers accounted for 88% of revenue for the year ended December 31, 2012. Sales from five of these customers amounted to $109,000, $78,000, $75,000, $60,030 and $51,000, which represented 21%, 15%, 15%, 12% and 10% of total revenue respectively

Geographic information

The Company has one operating segment, which provides a full suite of mobile marketing services in Canada, United States and internationally (Middle East and Mexico). No significant non-current assets are held outside of the United States.

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

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
United States	$ 3,486,135	$ 696,490	$ 395,665
International	75,910	158,073	61,189
Canada	-	15,857	55,000
Total	$ 3,562,045	$ 870,420	$ 511,854

(Expressed in U.S. Dollars unless otherwise noted)

5. EQUIPMENT

December 31, 2014

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the year	Closing depreciation balance	Net book value
Office Equipment	$ 7,597	$ -	$ -	$ 7,597	$ 2,726	$ 1,524	$ 4,250	$ 3,347
Computer Equipment	16,875	8,201	-	25,076	5,548	4,119	9,667	15,409
	$ 24,472	$ 8,201	$ -	$ 32,673	$ 8,274	$ 5,643	$ 13,917	$ 18,756

December 31, 2013

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the year	Closing depreciation balance	Net book value
Office Equipment	$ 7,597	$ -	$ -	$ 7,597	$ 1,202	$ 1,524	$ 2,726	$ 4,871
Computer Equipment	16,875	-	-	16,875	2,164	3,384	5,548	11,327
	$ 24,472	$ -	$ -	$ 24,472	$ 3,366	$ 4,908	$ 8,274	$ 16,198

6. INTANGIBLE ASSETS

December 31, 2014

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the year	Closing amortization balance	Net book value
Software platform	$ 269,605	$ 200,305	$ -	$ 469,910	$ 56,726	$ 71,519	$ 128,245	$ 341,665
	$ 269,605	$ 200,305	$ -	$ 469,910	$ 56,726	$ 71,519	$ 128,245	$ 341,665

December 31, 2013

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the year	Closing amortization balance	Net book value
Software platform	$ 141,090	$ 128,515	$ -	$ 269,605	$ 13,905	$ 42,821	$ 56,726	$ 212,879
	$ 141,090	$ 128,515	$ -	$ 269,605	$ 13,905	$ 42,821	$ 56,726	$ 212,879

7. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere included in expenses for the years ended December 31, 2014, 2013 and 2012 are salaries and compensation of $990,516, $681,125 and $893,069, respectively, charged by officers and key management personnel of the Company. At December 31, 2014, $136,677 (2013 – $97,473) was due to a director and employee, $120,641 (2013 – $78,504) was due to an officer and director, $60,711 (2013 – $11,965) was due to an officer, $37,368 (2013 – $20,534) was due to an officer, $26,125 (2013 – $nil) was due to an officer and $18,056 (2013 – $nil) was due to an officer. The amounts due to related parties represent unpaid salaries and compensation and unpaid expenses. The amounts are non-interest bearing, unsecured and have no specified terms of repayment.

8. DERIVATIVE LIABILITY

The derivative liability represents the Black-Scholes valuation of the Company's Financing warrants that are subject to currency fluctuation as the exercise price of the Company's Financing warrants is fixed in Canadian dollars and the functional currency of the Company is the U.S. dollar. This results in the warrants being considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. The fair value of this derivative liability fluctuates from period to period based on fluctuations in the share price, changing Black-Scholes inputs and changes in foreign exchange rates. These fair value changes are recognized through profit and loss. The derivative liability is a **NON-CASH** liability that is not associated with any form of debt or convertible instrument.

	Transaction warrants	Financing warrants	Total
Balance, December 31, 2011	$ -	$ -	$ -
Fair value of warrants issued	404,796	677,682	1,082,478
Change in fair value	216,902	(69,252)	147,650
Balance, December 31, 2012	621,698	608,430	1,230,128
Change in fair value	(199,902)	(596,559)	(796,461)
Allocation to equity on amended warrant terms	(421,796)	-	(421,796)
Fair value of warrants issued	-	49,206	49,206
Balance, December 31, 2013	-	61,077	61,077
Fair value of warrants issued	-	408,033	408,033
Warrants exercised	-	(138,069)	(138,069)
Change in fair value	-	1,282,485	1,282,485
Balance, December 31, 2014	$ -	$ 1,613,526	$ 1,613,526

During 2013 the Company received the approval of the TSX Venture Exchange to amend the exercise currency of the Transaction warrants from Canadian dollars to U.S. dollars and accordingly these warrants were reallocated to equity.

The following assumptions were used for the Black-Scholes derivative liability valuation of the Financing warrants at December 31, 2014:

	Financing warrants (1)	Financing warrants (2)
Risk-free interest rate	1.00%	1.00%
Expected life of warrants	0.93 years	1.07 years
Annualized volatility	125%	125%
Dividend rate	0.00%	0.00%

(1) 1,200,000 financing warrants issued on December 6, 2013
(2) 3,175,000 financing warrants issued on January 24, 2014

9. CAPITAL STOCK

Authorized

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

Share issuances

Prior to the closing of the Transaction (the "Closing"), the Company had 10,550,000 common shares outstanding and Consumer Impulse had 1,998,020 common shares and 700,000 Series A preferred shares outstanding. On Closing the common and preferred shares of Consumer Impulse were eliminated and the Company's 10,550,000 common shares were deemed to have been issued as part of the accounting for the Transaction.

On Closing the Company acquired all of the issued and outstanding Consumer Impulse shares in exchange for the issuance of the Company's 22,742,305 common shares, 6,188,688 warrants and 37,499,997 Series 1 preferred shares. The 37,499,997 Series 1 preferred shares were immediately redeemed after Closing for an aggregate of $3,807. Pursuant to a finder's fee agreement the Company also issued 400,000 shares on Closing. The 6,188,688 warrants can be exercised into 6,188,688 common shares at an exercise price of C$0.13 per common share for a period of five years from Closing. The initial fair value of these warrants was determined to be $404,796 (note 10) using a relative fair value method based on the estimated fair value of these warrants using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 125%, risk-free interest rate of 1.12% and an expected life of 5 years. The remaining value of $410,173 remained as common shares issued.

As a condition to Closing, the Company completed a private placement (the "Financing") of 13,333,333 units with a subscription price of C$0.15 per unit, for gross proceeds of $2,030,600 (C$2,000,000). Each unit consisted of one common share and one financing warrant entitling the holder to purchase one common share of the Company at an exercise price of C$0.22 per share within one year of Closing and an exercise price of C$0.27 per share within two years of Closing, with such financing warrant expiring two years after the Closing. The initial fair value of the 13,333,333 warrants that were issued pursuant to the Financing was determined to be $677,682 using a relative fair value method based on the estimated fair value of these warrants using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 125%, risk-free interest rate of 1.12% and an expected life of 2 years. The remaining value of $1,029,976 was allocated to the 13,333,333 financing shares issued. In connection with the Financing, the Company paid to the Agent, a corporate finance fee of $20,306, $142,142 in commissions (7% of gross proceeds), and issued 1,333,333 broker warrants (10% of the securities sold in the Financing) valued at $112,357 using the Black-Scholes model. The broker warrants are exercisable on the same terms as the financing warrants. The Company also paid legal fees of $48,137 associated with the Financing included in financing issue costs.

On August 21, 2013, the Company completed a non-brokered private placement financing of 2,000,000 common shares at a price of C$0.10 per common share for gross proceeds of $192,520 (C$200,000).

On December 6, 2013, the Company completed its first tranche of a non-brokered private placement financing of 2,400,000 units with a subscription price of C$0.10 per unit, for gross proceeds of $225,216 (C$240,000). Each unit consisted of one common share and one half-share financing warrant entitling the holder of each whole warrant to purchase one common share of the Company at an exercise price of C$0.15 per share within two years of the date of distribution. The Company paid finder's fees of $18,017 (C$19,200) for the first tranche.

On January 24, 2014, the Company completed its second tranche of a non-brokered private placement financing of 6,350,000 units with a subscription price of C$0.10 per unit, for gross proceeds of $573,469 (C$635,000). Each unit consisted of one common share and one half-share financing warrant entitling the holder of each whole warrant to purchase one common share of the Company at an exercise price of C$0.15 per share within two years of the date of distribution. The Company paid finder's fees of $36,124 (C$40,000) and filing fees of $4,214 for the second tranche.

9. CAPITAL STOCK (cont'd…)

Share issuances (cont'd…)

On July 14, 2014, the Company completed a non-brokered private placement financing of 10,400,000 units with a subscription price of C$0.15 per unit, for gross proceeds of $1,450,020 (C$1,560,000). Each unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of three years from the date of distribution. The Company paid finder's fees of $110,425 (C$118,800) and filing fees of $8,661 (C$9,318) in cash and issued 792,000 finder's options valued at $80,264 using the Black-Scholes model in connection with this financing. Each finder's option entitles the holder to purchase one unit at an exercise price of C$0.15 for a period of three years from the date of distribution. Each finder's unit will consist of one common share and one warrant, with each warrant entitling the holder to purchase one common share at an exercise price of $0.20 for a period of three years from the date of distribution.

Escrow shares

On March 20, 2010, the Company issued 4,500,000 common shares at a price of $0.05 per common share for total proceeds of $225,000. An additional 23,142,305 common shares were issued for the Transaction with Consumer Impulse. These common shares were held in escrow and are being released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of the Qualifying Transaction by the TSX Venture Exchange and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. On March 8, 2012, 2,764,231 shares were released from escrow, on September 5, 2012, 4,146,345 shares were released from escrow, on March 4, 2013, 4,146,845 shares were released from escrow and on September 5, 2013, 4,146,845 shares were released from escrow on March 4, 2014, 4,145,345 shares were released from escrow and on September 5, 2014, 4,146,345 shares were released from escrow. The balance of shares remaining in escrow from prior share issuances is 4,146,349 as of December 31, 2014 (December 31, 2013 – 12,438,039).

Stock options

On December 12, 2013, disinterested shareholders approved and the Company adopted a new fixed number incentive stock option plan (the "2013 Option Plan") which provides that a committee of the Board of Directors appointed in accordance with the 2013 Option Plan (the "Committee") may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares ("Options"), reserving 10,010,527 shares, being 20% of the Company's issued and outstanding shares as at November 12, 2013. Such Options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms are determined at the time of grant by the Committee. As per the TSX-V, 6,188,688 transaction warrants that were issued on closing of the Company's Qualifying Transaction on March 1, 2012, have been treated akin to stock options and are included with the Company's outstanding stock options for the purposes of being subject to the prescribed limit of the Company's Option Plan.

In fiscal 2014, the Company recognized stock based compensation expense of $159,939 corresponding to 3,825,000 stock options that were granted during the year ended December 31, 2014. Of the 3,825,000 options granted, 700,000 were fully vested and 3,125,000 will be vested in future periods. The following assumptions were used for the Black-Scholes valuation of these options granted in fiscal 2014 (Risk-free interest rate: 1.21% - 1.52%; expected life of option: 5.0 years; annualized volatility: 125%; dividend rate: 0.00%). All stock options have been granted in Canadian dollars.

In fiscal 2013, the Company recognized stock based compensation expense of $229,890 corresponding to 2,310,000 fully vested stock options that were granted during the year ended December 31, 2013. The following assumptions were used for the Black-Scholes valuation of these options granted in fiscal 2013 (Risk-free interest rate: 1.40% - 1.55%; expected life of option: 5.0 years; annualized volatility: 125%; dividend rate: 0.00%). All stock options have been granted in Canadian dollars.

9. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

In fiscal 2012, the Company recognized stock based compensation expense of $99,150 corresponding to 1,927,175 stock options that were granted during the year ended December 31, 2012. Of the 1,927,175 options granted, 982,175 were fully vested and 945,000 vested over a three year period beginning from the grant date. The following assumptions were used for the Black-Scholes valuation of these options granted in fiscal 2012 (Risk-free interest rate: 1.15%/1.31%; expected life of option: 1.0/5.0 years; annualized volatility: 125%; dividend rate: 0.00%). All stock options have been granted in Canadian dollars.

Stock option activity is presented below:

	Number of Options	Weighted Average Exercise Price C$
Outstanding, December 31, 2011	844,000	0.10
Exercised	(422,000)	0.10
Granted	1,927,175	0.17
Outstanding, December 31, 2012	2,349,175	0.16
Cancelled	(197,500)	0.18
Expired	(982,175)	0.15
Granted	2,310,000	0.11
Outstanding, December 31, 2013	3,479,500	0.13
Exercised	(100,000)	0.10
Granted (1)	3,825,000	0.42
Outstanding, December 31, 2014	7,204,500	0.29

(1) 3,475,000 options granted during the year ended December 31, 2014, have been conditionally granted contingent on the Company receiving disinterested shareholder approval of a new fixed stock option plan at the Company's next annual general meeting of shareholders.

(Expressed in U.S. Dollars unless otherwise noted)

9. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

As at December 31, 2014, the following Options are outstanding and exercisable:

Number of Options Outstanding at December 31, 2014	Number of Options Exercisable at December 31, 2014	Exercise Price	Expiry Date
422,000	422,000	$0.10	August 25, 2015
780,000	465,000	$0.19	August 27, 2017
100,000	100,000	$0.10	February 15, 2018
677,500	677,500	$0.10	February 25, 2018
100,000	100,000	$0.10	July 15, 2018
1,300,000	1,300,000	$0.12	December 18, 2018
200,000	200,000	$0.105	April 10, 2019
100,000	100,000	$0.10	April 20, 2019
50,000	50,000	$0.185	August 11, 2019
100,000	100,000	$0.185	August 11, 2019
200,000	25,000	$0.185	August 11, 2019
100,000	25,000	$0.25	September 10, 2019
500,000	-	$0.34	November 6, 2019
200,000	200,000	$0.34	November 6, 2019
200,000	-	$0.33	November 26, 2019
2,175,000	-	$0.55	December 29, 2019
7,204,500	3,764,500		

Warrants

	Equity Classification		Liability Classification	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, December 31, 2011	-	-	-	-
Issued – Transaction warrants	-	-	6,188,688	$0.13
Issued – Brokers warrants	1,333,333	C$0.25	-	-
Issued – Financing warrants	-	-	13,333,333	C$0.25
Outstanding, December 31, 2012	1,333,333	C$0.25	19,522,021	C$0.25
Reallocated - Transaction	6,188,688	$0.13	-6,188,688	$0.13
Issued – Financing warrants	-	-	1,200,000	C$0.25
Outstanding, December 31, 2013	7,522,021	$0.15	14,533,333	C$0.25
Issued – Financing warrants	-	-	3,175,000	C$0.15
Expired - Brokers warrants	-1,333,333	C$0.25	-	-
Expired – Financing warrants	-	-	-13,333,333	C$0.25
Issued – Financing warrants	10,400,000	$0.20	-	-
Exercised – Financing warrants	-120,000	$0.20	-	-
Exercised – Financing warrants	-	-	-505,000	C$0.15
Outstanding, December 31, 2014	16,468,688	$0.19	3,870,000	C$0.17

(Expressed in U.S. Dollars unless otherwise noted)

9. CAPITAL STOCK (cont'd…)

Warrants (cont'd…)

As at December 31, 2014 the following Warrants are outstanding:

Number of Common Shares Issuable	Weighted Average Exercise Price	Expiry Date
6,188,688	$0.13	March 1, 2017
1,200,000	C$0.15	December 6, 2015
2,670,000	C$0.15	January 24, 2016
10,280,000	$0.20	July 14, 2017
20,338,688	C$0.19	

The following assumptions were used for the Black-Scholes valuation of the Warrants issued during the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
Risk-free interest rate	1.00%	1.10%	1.12%
Expected life of warrants	0.93 - 1.07 years	2.0 years	2.0 / 5.0 years
Annualized volatility	125%	125%	125%
Dividend rate	0.00%	0.00%	0.00%

Finder's Unit Options

	Number of Shares	Weighted Average Exercise Price
Outstanding, December 31, 2012 and December 31, 2013	-	-
Issued – Financing unit options	792,000	C$0.15
Outstanding, December 31, 2014	792,000	C$0.15

Each Finder's Unit Option entitles the holder to purchase one unit ("Finder's Unit") at an exercise price of C$0.15 until July 14, 2017. Each Finder's Unit will consist of one common share and one share purchase warrant ("Finder's Unit Warrant"), with each Finder's Unit Warrant entitling the holder to purchase one common share at an exercise price of $0.20 until July 14, 2017.

The following assumptions were used for the Black-Scholes valuation of the Finder's Unit Options issued during the period ended September 30, 2014:

Risk-free interest rate	1.42%
Expected life of warrants	3.0 years
Annualized volatility	125%
Dividend rate	0.00%

As at December 31, 2014 the following Finder's Unit Options are outstanding:

Number of Common Shares Issuable	Weighted Average Exercise Price	Expiry Date
792,000	C$0.15	July 14, 2017

(Expressed in U.S. Dollars unless otherwise noted)

10. STRATEGIC SALES PARTNERSHIP AGREEMENT

On May 30, 2012, the Company announced an agreement with VirKet S.A. de C.V. ("Virket"), a leading Mexican provider of digital marketing services, to establish an exclusive strategic partnership to offer mobile marketing services in Mexico. Under the strategic partnership arrangement, the Company licensed its "Mobilize Me" technology platform and provided mobile marketing services with VirKet in the Mexican market on an exclusive basis, and VirKet correspondingly used the Company as its exclusive provider of mobile marketing technology. The initial term of the arrangement was for one year with an option for VirKet to extend for a second year and a right-of-first refusal for an extended exclusive license beyond the initial two-year term, all subject to reaching certain business performance targets. The arrangement has not been extended beyond the initial term as business performance targets were not reached. The initial term expired on May 30, 2013. The Company had granted VirKet 3,333,333 warrants to purchase the Company's common shares. These warrants have expired due to the initial term not being extended. The warrants were exercisable at a price of C$0.22 per share and vesting was subject to VirKet achieving certain agreed sales targets. The warrants also had a mandatory exercise clause if the Company's stock price was equal to or greater than C$0.35 for ten continuous trading days, and any warrants so not exercised would immediately lapse. The Company had taken an approach of valuing the warrants using the binomial tree option pricing model taking into account the probability of the occurrence of the vesting condition and the mandatory exercise clause. The warrants were valued at $287,940 and the Company recognized the corresponding warrant expense over the first year of the agreement, of which $174,931 was recognized in 2012. The warrants expired before the vesting conditions related to certain performance targets were met, therefore the value of the warrants, previously recognized, was reversed by the Company in 2013.

Strategic Sales Partnership Warrants

	Number of Shares	**Weighted Average Exercise Price** C$
Outstanding, December 31, 2011	–	–
Issued – Strategic sales partnership warrants	3,333,333	0.22
Outstanding, December 31, 2012	3,333,333	0.22
Expired	(3,333,333)	0.22
Outstanding, December 31, 2013 and December 31, 2014	–	–

The following assumptions were used for the binomial tree valuation of the Strategic Sales Partnership Warrants issued during the year ended December 31, 2012:

Risk-free interest rate	1.15%
Expected life	2.0 years
Annualized volatility	125%
Dividend rate	0.00%

(Expressed in U.S. Dollars unless otherwise noted)

11. SUPPLEMENTAL DISCLOSURE REGARDING CASH FLOWS

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Cash paid during the year for interest	-	-	-
Cash paid during the year for income taxes	-	-	-
Transactions not involving cash:			
Transaction shares issued	-	-	814,969
Receivables acquired	-	-	31,220
Deposits acquired	-	-	20,306
Accounts payable and accrued liabilities acquired	-	-	23,585
Fair value of warrants issued as part of Transaction – derivative liability	-	-	621,698
Fair value of financing warrants – derivative liability	1,116,427	40,265	608,430
Fair value of financing warrants – derivative liability	497,009	20,812	-
Fair value of broker warrants	-	-	112,357

12. FINANCIAL INSTRUMENTS

Fair value

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

The carrying value of accounts receivable, HST receivable, due to related parties and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments while cash and marketable securities are valued using a level 1 fair value measurement and the derivative liability is valued using a level 3 fair value measurement.

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fair value through profit and loss – assets	$ 1,529,483	$ 1,529,483	$ 213,178	$ 213,178
Fair value through profit and loss – liabilities	(1,613,526)	(1,613,526)	(61,077)	(61,077)
Loans and receivables	540,819	540,819	350,965	350,965
Other financial liabilities	(1,261,554)	(1,261,554)	(323,664)	(323,664)
	$ (804,788)	$ (804,788)	$ 179,402	$ 179,402

12. FINANCIAL INSTRUMENTS (cont'd…)

Financial risk factors

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

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, note receivable and HST receivable. The Company places its cash with major financial institutions to limit risk from cash and cash equivalents. The maximum exposure to credit risk is equal to the fair value or carrying value of the related financial assets. The Company's receivables consist of amounts due from customers, HST due from the Government of Canada, a note receivable and accrued interest due from an unrelated company. Some customers send payment past normal trade terms and in cases where amounts become uncollectible the Company recognizes bad debt expense to write off the uncollectible amounts. At December 31, 2014, the Company had $450,819 (2013 - $159,897) in amounts due from customers greater than 90 days and during fiscal 2014 recognized bad debt expense of $42,582 (2013 - $15,000).

Liquidity risk

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

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

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices. Such fluctuations may be significant.

a) *Interest rate risk*

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant. A plus or minus 1% change in interest rates would affect profit or loss and comprehensive profit or loss by approximately $8,000.

b) *Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, HST receivable and accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2014, the Company held material amounts of cash and cash equivalents in Canadian currency and considers foreign currency risk high. A plus or minus 1% change in foreign exchange rates would affect profit or loss and comprehensive profit or loss by approximately $8,000.

(Expressed in U.S. Dollars unless otherwise noted)

12. FINANCIAL INSTRUMENTS (cont'd…)

b) Foreign currency risk (cont'd…)

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

	December 31, 2014		December 31, 2013	
Cash and cash equivalents	C$	983,952	C$	106,780
Accounts receivable		5,099		428
HST receivable		19,752		6,067
Accounts payable and accrued liabilities		(46,561)		(51,943)
Total	C$	962,242	C$	61,332

c) Marketable securities price risk

The Company is exposed to fluctuations in the fair value of the derivative liability due to fluctuations in the market price of its own stock. Assuming that the other input variables of the Black-Scholes valuation model stay the same, a plus or minus 1% change in the market price of the Company's stock would cause a change in value of $19,542.

13. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Company has no debt obligations other than deferred revenue, due to related parties and accounts payable and accrued liabilities in the ordinary course of operations. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements.

14. QUALIFYING TRANSACTION

On March 1, 2012, the Company completed its Qualifying Transaction. The acquisition has been accounted for as a reverse takeover ("RTO") whereby for accounting purposes Consumer Impulse is treated as the accounting parent company (legal subsidiary) and Snipp Interactive Inc. is treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As Consumer Impulse is the deemed acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements and the assets and liabilities of Snipp Interactive Inc. at March 1, 2012 and the results of its operations after March 1, 2012 are included in these consolidated financial statements.

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all the goods or service received in return. Since the Company issued shares to Consumer Impulse with a value in excess of the assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as a listing expense. The amount assigned to listing expense of $514,284 is the difference between the fair value of the consideration of $814,969 and the net identifiable assets of the accounting subsidiary of $304,492 acquired by the accounting parent and included in the consolidated statements of operations and comprehensive income (loss).

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse takeover transaction. This represents the fair value of the shares that the accounting parent would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Consumer Impulse acquiring 100% of the shares in Snipp Interactive Inc. The fair value of Snipp Interactive's share capital before the reverse takeover was $2,030,600, which represents the $2,030,600 proceeds raised from the Financing. The percentage of ownership the legal parent's shareholders had in the combined entity is 31.3% after the issue of 22,742,305 shares to Consumer Impulse shareholders and the issue of 400,000 finder's fee shares.

(Expressed in U.S. Dollars unless otherwise noted)

14. QUALIFYING TRANSACTION (cont'd…)

The book value of the 6,188,688 warrants that were issued pursuant to the RTO was determined to be $404,796 using a relative fair value method based on the estimated fair value of these warrants using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 125%, risk-free interest rate of 1.12% and an expected life of 5 years. The remaining value of the consideration less the relative fair value of the warrants, totalling $410,173, was allocated to the 23,142,305 shares common shares issued (22,742,305 Transaction shares and 400,000 finder's fee shares).

The fair value of the consideration deemed to have been paid to Snipp Interactive Inc. was estimated as follows:

Estimated fair value of 22,742,305 shares, 400,000 finder's fee shares and 6,188,688 warrants deemed issued by Consumer Impulse to Snipp Interactive Inc. (formerly Alya Ventures Ltd.)	$	814,969
Redemption value of 37,499,997 Series 1 preferred shares		3,807
Net assets of Snipp Interactive Inc. acquired (as indicated below)		(304,492)
Listing expense	$	514,284

The listing expense of $514,284 is a non-cash expense item that represents the excess fair value associated with the shares issued on Closing of the Qualifying Transaction over the fair value of the net assets acquired by the accounting acquirer (legal subsidiary). Prior to Closing the net asset value of Snipp Interactive Inc. was $304,492 (C$299,904). As a condition to closing of the Transaction, Snipp Interactive Inc. also completed a private placement financing for gross proceeds of $2,030,600 (C$2,000,000). (Note 9)

The fair value of the net assets of Snipp Interactive Inc. prior to closing was as follows:

Cash and cash equivalents	$	276,551
Receivables		31,220
Deposits		20,306
Accounts payable and accrued liabilities		(23,585)
	$	304,492

(Expressed in U.S. Dollars unless otherwise noted)

15. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the federal and state statutory income tax rates to loss before income taxes.

The reconciliation of income taxes attributable to operations computed at the U.S. statutory tax rate of 41% to the income tax provision recorded in the consolidated financial statements is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Net (loss) income before income taxes	$(2,564,866)	$ 75,597	$(2,237,889)
Expected income tax recovery at statutory rates	872,050	(25,700)	760,880
Effect on income taxes of:			
Difference in foreign tax rates	(81,650)	51,230	(93,440)
Tax rate changes and adjustments	128,650	36,910	46,290
Non-deductible expenses	(44,830)	(14,460)	3,320
Change in tax benefits not recognized	(874,220)	(47,980)	(717,050)
Recorded in the consolidated statements of operations and comprehensive loss	$ -	$ -	$ -

The Company's deferred tax assets are as follows:

	December 31, 2014	December 31, 2013	December 31, 2012
Deferred tax assets:			
Marketable Securities	$ 3,990	$ 3,870	$ 3,520
Equipment	-	7,530	3,370
Intangible assets	73,000	58,540	13,910
Derivative Liability	887,990	-	160,510
Share issuance and financing costs	274,070	247,840	332,830
Non-capital loss carry forwards	3,755,890	2,083,110	1,812,060
Unrecognized deferred tax assets	$ 4,994,940	$ 2,400,890	$ 2,326,200

As at December 31, 2014, the Company has non-capital loss carry forwards of $2,467,390 in the U.S. and $1,288,500 in Canada available to reduce taxable income otherwise calculated in future years. The Canadian non-capital loss carry forwards expire in 2034 and the U.S non-capital loss carry forwards expire between 2027 and 2034.

16. SUBSEQUENT EVENTS

On January 27, 2015, the Company conditionally granted 250,000 options to a newly appointed member of senior management subject to receiving disinterested shareholder approval on a new fixed stock option plan. The options are to vest one third on January 27, 2016 and then in additional one third increments every year thereafter until fully vested. The options are to be exercisable at a price of C$0.65 per common share and expire after five years.

On February 4, 2015, the Company closed its bought deal private placement financing that was announced on January 14, 2015 (the "Underwritten Offering"). The Underwritten Offering was comprised of 22,322,727 units ("Units") at a price of C$0.55 per Unit for gross proceeds of C$12,277,500, which includes the full exercise by the underwriters of the over-allotment option (the "Over-Allotment Option"). Due to strong market demand, the size of the Over-Allotment Option was increased from C$4 million to C$4,275,000, being comprised of a total of 7,772,727 Units. Each Unit consists of one common share in the Company ("Share") and one half of one share purchase warrant ("Warrant"). Each whole Warrant is exercisable for one Share at an exercise price of US$0.63 per Share for a period of 24 months after the closing date. The expiry date of the Warrants may be accelerated at the option of the Company if the closing trading price of the Shares is equal to or greater than C$1.20 for a period of 20 consecutive trading days. A syndicate of underwriters led by Canaccord Genuity Corp. ("Canaccord") and including Clarus Securities Inc. (collectively with Canaccord, the "Underwriters"), acted as underwriters in connection with the Underwritten Offering. First Republic Capital Corporation ("First Republic") also participated as a member of the selling group. The Underwriters received a commission equal to 8% of the gross proceeds of the Underwritten Offering paid in cash. As additional consideration for their services, the Underwriters and First Republic were issued an aggregate of 1,785,818 broker warrants (each a "Broker Warrant"). Each Broker Warrant entitles the holder to acquire Units on the same terms as the Units in the Underwritten Offering for a period of 2 years from the closing date. In addition, Snipp has issued to Canaccord 661,591 Units as a corporate finance advisory fee. All of the securities issued in connection with the Underwritten Offering are subject to a four-month hold period in accordance with applicable Canadian securities laws. The net proceeds raised through the Underwritten Offering will be used for product development, marketing and general working capital purposes.

On February 5, 2015, the Company completed the acquisition of Swiss Post Solutions Ireland Limited ("Swiss Post Ireland") and acquired (the "Acquisition") all of the issued and outstanding shares of Swiss Post Ireland, as per the share purchase agreement (the "Purchase Agreement") with Post CH Ltd. ("Swiss Post") dated January 2 2015 and announced on January 5, 2015. The Acquisition will be financed from Snipp's current cash reserves. The Acquisition is expected to contribute upwards of $1.5MM in revenue for fiscal 2015 and generate positive net income. On closing the Company made a payment of CHF 240,840 and will be making an additional payment based on actual 2015 revenue earned from Swiss Post Ireland. The maximum additional payment will be up to CHF 841,700 if 2015 revenue earned from Swiss Post Ireland reaches or exceeds EUR 1,195,000. If 2015 revenue from Swiss Post Ireland is below CHF 841,700 the additional payment will be adjusted proportionately downwards. At this time the initial accounting for this Acquisition is incomplete and therefore additional disclosures relating to this Acquisition are not available at this time. Swiss Post Solutions ("SPS"), a subsidiary of Swiss Post, manages paper-based business processes with document processing solutions for its business customers, and provides support for the transition from the physical to the digital world. Swiss Post Ireland is SPS's Customer Loyalty Management (CLM) business unit based in Ireland, Europe. Swiss Post Ireland's Catalyst CLM platform is a multi-currency, multi-lingual, cloud-based platform which offers real-time benefits and rewards management, an advanced analytics platform for both reporting and predicting consumer behavior which has sophisticated capabilities for integrating into enterprise customer database and billing systems. Current customers of Swiss Post Ireland's Catalyst CLM solution include a leading fashion retailer, a major shoe retailer and a chain of petrol station forecourt stores. The platform has been successfully implemented across hundreds of stores and in over ten languages. The Acquisition adds an enterprise-class loyalty management platform to Snipp's expanding shopper marketing, receipt processing and rebate solutions portfolio. In addition to expanding its portfolio, the Acquisition gives Snipp an immediate presence in Europe and a talented development team based in Ireland to complement its existing development teams in India and the US. Snipp will quickly integrate its receipt and image validation capabilities to further enhance the value of the platform. This Acquisition is a strategic fit since it gives Snipp a very strong enterprise class offering in the loyalty market and simultaneously expands the Company's geographic footprint. It also allows Snipp to bring this technology to its existing clients and to also give Snipp a new proposition in the retail and retail-related markets

16. SUBSEQUENT EVENTS (cont'd…)

which have not been a focus to date. There is opportunity for Snipp to expand its work with consumer brands from offers, promotions and rebates into a new breed of evergreen/ongoing loyalty programs. At present, the majority of loyalty solutions in the market require cumbersome point-of-sale integration or printed codes on pack or custom app-based solutions. With this Acquisition Snipp will pioneer a new generation of loyalty programs by leveraging its receipt-processing solution to deploy turnkey loyalty programs without costly and time-consuming implementations. Brands will be able to deploy sophisticated loyalty programs simply by asking users to snap and send a picture of their purchase receipt without the need of building costly web infrastructure or integrating with retailer POS systems. In addition they can add social media elements, retailer customizations and location-based activations to their programs to drive engagement and sales.

On February 9, 2015, the Company conditionally granted 1,300,000 options to twelve employees/consultants subject to receiving disinterested shareholder approval on a new fixed stock option plan. 800,000 of the options are to vest one third on February 9, 2016 and then in additional one third increments every year thereafter until fully vested. 500,000 of the options are to vest one third in six months from grant date and then in additional one third increments every six months thereafter until fully vested. The options are to be exercisable at a price of C$0.68 per common share and expire after five years.

On February 26, 2015, the Company announced that the United States Securities and Exchange Commission (the "SEC") has completed its review of the Company's Form 20-F Registration Statement. Snipp is now registered as a reporting issuer under the United States Securities and Exchange Act of 1934 and must file certain reports on EDGAR, in compliance with rules established by the SEC for foreign reporting issuers.

On March 26, 2015, the Company conditionally granted 755,000 options to nine employees/consultants subject to receiving disinterested shareholder approval on a new fixed stock option plan. The options are to vest one third on March 26, 2016 and then in additional one third increments every year thereafter until fully vested. The options are to be exercisable at a price of C$0.65 per common share and expire after five years.

Subsequent to December 31, 2014, the Company received proceeds of C$637,520 and $598,800 corresponding to warrant and option exercises resulting in 7,263,300 common shares being issued.