URBANIMMERSIVE INC.

Interim condensed financial report (unaudited)

For the three month periods ended on December 31, 2017 and 2016.

URBANIMMERSIVE INC.

INTERIM CONDENSED FINANCIAL REPORT

Notice to Reader

The accompanying unaudited interim condensed financial statements of Urbanimmersive Inc. (the "Corporation") for the three month periods ended on December 31, 2017 and 2016 have been prepared by the management and are its responsibility. These unaudited interim condensed financial statements, together with the accompanying notes, have been reviewed and approved by the members of the Corporation's Board of Directors. These unaudited interim condensed financial statements have not been reviewed by the Corporation's auditors.

URBANIMMERSIVE INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

As at **(Unaudited - in Canadian dollars)**

	Notes	December 31, 2017	September 30, 2017
		$	$
ASSETS			
Current assets			
Cash		832,821	120,167
Trade and other receivables		222,944	150,814
Prepaid expenses		14,200	34,115
		1,069,965	305,096
Non-current assets			
Loans to employees and officers		19,516	19,516
Property and equipment		106,640	116,015
Intangible assets		11,016	11,570
Goodwill		91,817	91,817
		228,989	238,918
Total assets		1,298,954	544,014
LIABILITIES			
Current liabilities			
Trade and other payables		185,087	226,605
Current portion of long-term debt	3	17,898	34,793
		202,985	261,398
Non-current liabilities			
Long-term debt	3	38,640	26,889
Convertible debentures	4	250,144	232,004
		288,784	258,893
Total liabilities		491,769	520,291
EQUITY			
Share capital	5	10,715,620	9,676,670
Provision for share options and warrants	6	1,155,758	1,039,600
Equity component of convertible debentures	4	202,813	202,813
Deficit		(11,267,006)	(10,895,360)
Total equity		807,185	23,723
Total liabilities and equity		1,298,954	544,014

Going concern (Note 1)
Subsequent event (Note 12)

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

URBANIMMERSIVE INC.

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

For the three month periods ended on **(Unaudited - in Canadian dollars)**

	Notes	December 31, 2017	December 31, 2016
		$	$
Revenue			
Transactional		405,449	6,215
Content development		-	85,780
Services		-	21,105
Other		1,203	3,262
		406,652	116,362
Cost of sales	7	395,550	178,541
Gross profit (loss)		11,102	(62,179)
Operating expenses	7		
Selling		15,271	35,618
Administrative		288,977	226,730
Research and development		54,162	68,018
		358,410	330,366
Operating loss before other expenses (revenues)		(347,308)	(392,545)
Other expenses (revenues)			
Interest revenue		(2,134)	(108)
Financial expenses	8	26,067	18,164
Exchange loss (gain)		405	(192)
		24,338	17,864
Net loss and comprehensive loss		(371,646)	(410,409)
Basic and diluted net loss per common share		(0.01)	(0.01)
Weighted average number of common shares outstanding		53,058,830	47,894,554

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

URBANIMMERSIVE INC.

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY

For the three month periods ended on December 31, 2017 and 2016 **(Unaudited - in Canadian dollars)**

	Notes	Share capital		Provision for share options and warrants	Equity component of convertible debentures	Deficit	Total
		Number	$	$	$	$	$
Balance on October 1st, 2016		47,894,554	9,374,775	838,056	202,813	(9,383,971)	1,031,673
Share-based payments	6	-	-	49,518	-	-	49,518
Net loss and comprehensive loss		-	-	-	-	(410,409)	(410,409)
Balance on December 31, 2016		47,894,554	9,374,775	887,574	202,813	(9,794,380)	670,782
Balance on October 1st, 2017		50,836,221	9,676,670	1,039,600	202,813	(10,895,360)	23,723
Issuance of shares as part of the pubic offering	5	10,000,000	1,250,000	-	-	-	1,250,000
Issuance of shares following the exercise of warrants	5	1,720,000	137,903	(8,903)	-	-	129,000
Cost related to the issuance of shares	5	-	(348,953)	69,761	-	-	(279,192)
Share-based payments	6	-	-	55,300	-	-	55,300
Net loss and comprehensive loss		-	-	-	-	(371,646)	(371,646)
Balance on December 31, 2017		62,556,221	10,715,620	1,155,758	202,813	(11,267,006)	807,185

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

URBANIMMERSIVE INC.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

For the three month periods ended on **(Unaudited - in Canadian dollars)**

	Notes	December 31, 2017	December 31, 2016
		$	$
OPERATING ACTIVITIES			
Net loss		(371,646)	(410,409)
Non-cash profit or loss items			
Amortization - Property and equipment		9,375	15,442
Amortization - Intangible assets		554	1,435
Amortization - Cost related to the issuance of convertible debentures		889	684
Share-based payments	6	55,300	49,518
Theoretical interest on convertible debentures	8	17,251	13,266
		(288,277)	(330,064)
Change in non-cash working capital items		(93,733)	54,348
Net cash related to operating activities		(382,010)	(275,716)
FINANCING ACTIVITIES			
Repayment of long-term debts	3	(5,144)	(8,670)
Issuance of shares	5	1,379,000	-
Costs related to the issuance of shares	5	(279,192)	-
Net cash related to financing activities		1,094,664	(8,670)
Increase (decrease) in cash		712,654	(284,386)
Cash, beginning of period		120,167	978,619
Cash, end of period		832,821	694,233
Interest received		2,134	108
Interest paid		(7,927)	(4,214)

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

At December 31, 2017 and 2016 and September 30, 2017 (Unaudited - in Canadian dollars)

NOTE 1. STATUTES OF INCORPORATION, NATURE OF ACTIVITIES AND GOING CONCERN ASSUMPTION

URBANIMMERSIVE INC. (the "Corporation"), incorporated on April 6, 2011 under the Canada Business Corporations Act, develops and commercializes interactive visual content technology solutions. The primary office is located at 3899, autoroute des Laurentides, Suite 203, Laval, Québec, Canada.

These interim condensed financial statements, approved by the Board of Directors on February 26, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". These interim condensed financial statements as well as the related notes should be read in conjunction with audited financial statements of the Corporation as at September 30, 2017.

The accompanying financial statements have been prepared using IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. At December 31, 2017, there are uncertainties that may cast doubt about the ability of the Corporation to continue its operations.

For the three-month period ended December 31, 2017, the Corporation recorded a net loss of $371,646 ($1,511,389 for the year ended September 30, 2017) and used cash flows of $382,010 ($917,339 for the year ended September 30, 2017) for its operating activities. At December 31, 2017, the Corporation's cash amounted to $832,821 ($120,167 as at September 30, 2017).

The Corporation has prepared a budget using assumptions that management considers reasonable. Achieving budgeted results depends mainly on the increase of sales, compliance with the gross operating margin forecast and control of general and administrative expenses. Management expects to meet its budget and have sufficient liquidities to fund its operations at least beyond December 31, 2018. Although management believes it has developed action plans to manage liquidity and operational risk, there is no assurance that these measures will be successful.

These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption would not be appropriate. These adjustments could be material.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Changes to the presentation

The Corporation reviewed the classification of its expenses. Management believes that this new classification provides a clearer picture of the Corporation's operations. Comparative periods have been presented accordingly. There is no other effect of this change in presentation.

Basis of preparation and evaluation of financial statements

The financial statements are prepared using the significant accounting policies described in the present note. These methods have been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared on a historical cost basis.

NOTE 3. LONG-TERM DEBT

	December 31, 2017	September 30, 2017
	$	$
Loan, BDC floating rate plus 3.5% for a total of 8.8% (8.8% at September 30, 2017), secured by the personal guarantees of certain directors and officers of the Corporation and by the Corporation representing 100% of the outstanding commitment, payable in installments of $1,380 until April 2021.	55,200	59,340
Loans, 0%, secured by the automotive equipments with a net value of $nil, repayable until April 2018 in monthly instalments of $335.	1,338	2,342
	56,538	61,682
Current portion of long-term debt	17,898	34,793
	38,640	26,889

At December 31, 2017 and 2016 and September 30, 2017 (Unaudited - in Canadian dollars)

NOTE 3. LONG-TERM DEBT (Continued)

Capital payments over the next years are the following:

	$
2018	13,758
2019	16,560
2020	16,560
2021	9,660
	56,538

NOTE 4. CONVERTIBLE DEBENTURES

	December 31, 2017	September 30, 2017
	$	$
Financial Liability component		
Convertible debentures with a face value of $150,000 without interest, discounted at the rate of 30%, secured by a mortgage on all present and future movable property, for which the mortgage will be second, repayable in one instalment in July 2019, together with a conversion option.	100,867	94,156
Convertible debentures with a face value of $250,000, without interest, discounted at the rate of 30%, secured by a mortgage on all present and future movable property, for which the mortgage will be second, repayable in one instalment in October 2019, together with a conversion option.	156,318	145,778
	257,185	239,934
Unamortized balance of issuance costs of convertible debentures	(7,041)	(7,930)
	250,144	232,004
Current portion	-	-
	250,144	232,004

	December 31, 2017	September 30, 2017
	$	$
Equity component		
Equity component of the convertible debentures with a face value of $150,000 which has a conversion option at the holder's option at any time before the maturity date in July 2019, at a conversion price of $0.15 per common share.	109,601	109,601
Equity component of the convertible debentures with a face value of $250,000 which has a conversion option at the holder's option at any time before the maturity date in October 2019, at a conversion price of $0.125 per common share.	182,668	182,668
	292,269	292,269
Deferred tax	(49,138)	(49,138)
Cost related to issuance of convertible debentures	(40,318)	(40,318)
	202,813	202,813

At December 31, 2017 and 2016 and September 30, 2017 (Unaudited - in Canadian dollars)

NOTE 4. CONVERTIBLE DEBENTURES (Continued)

The initial values of the liability components and the equity components were determined at the time of the debenture's issuance. The significant assumption used to determine the fair value of the liability component of the convertible debentures is the discount rate of 30%. Management determined the appropriate discount rate based on interest rates applied by the market at the time of issuance for similar instruments with no conversion option.

The following table discloses the variation of the liability component :

	December 31, 2017	September 30, 2017
	$	$
Balance, beginning of period	239,934	184,569
Theoretical interest	17,251	55,365
Balance, end of period	257,185	239,934

NOTE 5. SHARE CAPITAL

Authorized

Unlimited number of shares, without par value

Transactions on share capital

2017

On October 31, 2017, a total of 180,000 broker warrants were exercised at a price of $0.075 per warrant for total proceeds of $13,500.

On November 2, 2017, a total of 300,000 warrants were exercised at a price of $0.075 per warrant for total proceeds of $22,500.

On November 7, 2017, a total of 200,000 warrants were exercised at a price of $0.075 per warrant for total proceeds of $15,000.

On November 15, 2017, a total of 200,000 warrants were exercised at a price of $0.075 per warrant for total proceeds of $15,000.

On November 16, 2017, a total of 400,000 warrants were exercised at a price of $0.075 per warrant for total proceeds of $30,000.

On November 23, 2017, a total of 440,000 warrants were exercised at a price of $0.075 per warrant for total proceeds of $33,000.

On December 20, 2017, the Corporation completed a public offering for gross proceeds of $1,250,000 by the issuance of 10,000,000 units at a price of $0.125 per unit. Each unit comprises one common share of the Corporation and one common share purchase warrant. Each warrant entitles its holder to acquire one additional common share of the Corporation at a price of $0.25 per common share until December 20, 2019. The fair value of the warrants is $Nil based on the residual method. As part of this public offering, the Corporation paid a commission of $100,000 in cash and issued 800,000 broker warrants. Each broker warrant entitles its holder to acquire one common share of the Corporation at a price of $0.125 per common share until December 20, 2019. The fair value of the broker warrants was estimated at $0.09 using the Black-Scholes pricing model with the following assumptions: an expected volatility of 144%, a risk-free interest rate of 1.41%, an expected unit life of 2 years, no expected dividend yield and a share price at date of grant of $0.125. As a result, the broker warrants were valued at $69,761 and recorded as an increase in cost related to the issuance of shares as well as an increase in the provision for share options and warrants in the statement of changes in equity. The Corporation also paid a total amount of $179,192 in legal fees, regulatory fees and other fees.

At December 31, 2017 and 2016 and September 30, 2017 (Unaudited - in Canadian dollars)

NOTE 6. SHARE OPTIONS AND WARRANTS

Share option plan

The Corporation adopted a share option plan (the "option plan") whereby a maximum of 10% of common shares issued and outstanding is reserved for the issuance of non-transferable options to directors, officers, employees and consultants. The option plan provides that the terms and conditions of the options and the exercise price of options will be determined by the directors subject to price restrictions and other requirements imposed by the TSX. The period for exercising the options granted under the option plan cannot exceed a period of 10 years and the exercise price must be fully paid before the issuance of shares. Options may expire before the expiry date in case of death or disability of the holder or in case of termination of employment or mandate of the holder. The options vest 1/3 per year as 12 months following the grant date, unless otherwise decided by the Board of Directors.

The following table shows the changes in share options:

		December 31, 2017		September 30, 2017
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of period	4,306,000	0.25	3,291,250	0.44
Granted	150,000	0.125	1,249,000	0.20
Expired	(150,000)	0.75	-	-
Forfeited	-	-	(234,250)	0.22
Outstanding , end of period	4,306,000	0.23	4,306,000	0.25
Exercisable, end of period	1,668,500	0.31	1,636,831	0.38

The following table presents the details of share options outstanding:

		December 31, 2017		September 30, 2017
Exercise price	Number of options outstanding	Estimated contractual time remaining in years	Number of options outstanding	Estimated contractual time remaining in years
$				
0.125	695,000	2.53	545,000	2.12
0.15	100,000	4.67	100,000	4.92
0.16	1,892,500	3.27	1,892,500	3.52
0.17	125,000	3.42	125,000	3.68
0.20	1,032,500	4.25	1,032,500	4.50
0.75	461,000	0.10	611,000	0.27
	4,306,000		4,306,000	

At December 31, 2017 and 2016 and September 30, 2017 (Unaudited - in Canadian dollars)

NOTE 6. SHARE OPTIONS AND WARRANTS (Continued)

The fair value of share options granted by the Corporation was determined using the Black & Scholes valuation model based on the following weighted average assumptions:

	December 31, 2017	September 30, 2017
Weighted average price at the grant date	0,11 $	0,19 $
Weighted average exercise price	0,125 $	0,20 $
Expected dividend	- $	- $
Expected average volatility	229 %	243 %
Risk-free average interest rate	1,57 %	1,05 %
Expected average life	5 years	5 years
Weighted fair value per share option	0,11 $	0,19 $

The expected volatility used in option valuation was determined using the historical volatility of the Corporation's share price based on each expected life of the share options.

An expense for share-based payments of $55,300 was recognized during the three-month period ended December 31, 2017 ($49,518 during the three month period ended December 31, 2016).

Warrants

The following table shows the changes in warrants:

	December 31, 2017		September 30, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	12,201,756	0.21	13,951,756	0.20
Granted	10,800,000	0.24	50,000	0.25
Exercised	(1,720,000)	0.08	(1,800,000)	0.08
Expired	(250,000)	0.08	-	-
Outstanding and exercisable, end of period	21,031,756	0.24	12,201,756	0.21

The number of outstanding warrants that could be exercised for an equal number of common shares is as follow:

Expiry date	Exercise price	Number of warrants outstanding
	$	
July 20, 2018	0.15	880,159
July 20, 2018	0.25	9,351,597
December 20, 2019	0.13	800,000
December 20, 2019	0.25	10,000,000
	0.24	21,031,756

At December 31, 2017 and 2016 and September 30, 2017 (Unaudited - in Canadian dollars)

NOTE 7. COST OF SALES AND OPERATING EXPENSES BY NATURE

	December 31, 2017	December 31, 2016
	$	$
Wages and employee benefits	152,612	224,952
Subcontracting	395,183	16,583
Share-based payments	55,300	49,518
Consulting fees	15,000	30,862
Professional fees	47,844	85,041
Regulatory fees	3,178	27,449
Advertising and promotion	13,020	3,640
Insurance	3,238	4,491
Representation and travel	6,070	3,438
Office expenses	16,055	12,011
Equipment rental	11,477	2,772
Rental fees	24,222	24,222
Amortization - Property and equipment	9,375	15,442
Amortization - Intangible assets	554	1,435
Other	832	7,051
	753,960	508,907
Cost of sales	395,550	178,541
Operating expenses	358,410	330,366
	753,960	508,907

NOTE 8. FINANCIAL EXPENSES

	December 31, 2017	December 31, 2016
	$	$
Amortization - Issuance costs of convertible debentures	889	684
Interest on long-term debts	1,622	2,298
Theoretical interest on convertible debentures	17,251	13,266
Interest and bank charges	6,305	1,916
	26,067	18,164

NOTE 9. ADDITIONAL CASH FLOW INFORMATION

Changes in working capital items

	December 31, 2017	December 31, 2016
	$	$
Trade and other receivables	(11,299)	30,616
Prepaid expenses	19,915	2,857
Trade and other payables	(102,349)	38,875
Deferred revenues	-	(18,000)
	(93,733)	54,348

At December 31, 2017 and 2016 and September 30, 2017 (Unaudited - in Canadian dollars)

NOTE 10. RELATED PARTIES

Related parties include the Corporation's key management personnel. Unless otherwise stated, balances are usually settled in cash.

Key management personnel of the Corporation are the members of the Board of Directors, the President and the Vice-Presidents. The remuneration of key management personnel includes the following expenses:

	December 31, 2017	December 31, 2016
	$	$
Wages and employee benefits	78,285	72,500
Share-based payments	38,737	21,328
	117,022	93,828

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

NOTE 11. COMMITMENTS

Operating lease contracts

The Corporation has entered into long-term lease agreements for equipment and automotive rental expiring until December 2020, which call for total lease payments of $52,658. The minimum lease payments for the next years are $15,252 in 2018, $20,336 in 2019, $13,913 in 2020 and $3,157 in 2021.

The Corporation has entered into long-term agreement for the lease of premises expiring in January 2021, which will call for total lease payments of $298,732. The minimum lease payments for the next years are $72,665 in 2018, $96 886 in 2019 and 2020 and $32,295 in 2021.

The Corporation has entered into a consulting agreement for business development expiring in October 2019, which will call for total payments of $75,000 in 2018.

NOTE 12. SUBSEQUENT EVENT

On January 12, 2018, the Corporation issued 1,500,000 units at a price of $0.125 per unit for gross proceeds of $187,500 following the full exercise of an over-allotment option granted by the Corporation as part of its public offering. Each unit comprises one common share of the Corporation and one common share purchase warrant. Each warrant entitles its holder to acquire one additional common share of the Corporation at a price of $0.125 per common share until December 20, 2019.