

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

# FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended **December 31, 2018**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report .....

## **Snipp Interactive Inc.**

(Exact name of Registrant as specified in its charter)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

530 Richmond St West, Rear Lower Level, Toronto, Ontario, Canada M5V 1K4

(Address of principal executive offices)

Securities to be registered pursuant to Section 12(b) of the Act:

None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Shares, without par value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the Company's classes of capital or common stock as of the close of the period covered by the annual report. **226,163,904 Common Shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or a transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the *Securities Exchange Act of 1934*. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No  N/A

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**Snipp Interactive Inc.**  
**Form 20-F Annual Report**

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## INTRODUCTION

Snipp Interactive Inc. (“Snipp” or the “Company”) was incorporated in British Columbia under the Business Corporations Act (British Columbia) on January 21, 2010 under the name Alya Ventures Ltd. (“Alya”). The Company was originally classified as a Capital Pool Corporation (“CPC”) and changed its name to Snipp Interactive Inc. after completion of its qualifying transaction through a reverse merger transaction with Consumer Impulse, Inc., a corporation incorporated under the laws of the State of Delaware on March 30, 2007.

### BUSINESS OF SNIPP INTERACTIVE INC.

Snipp is a global loyalty and promotions technology company that is focused on developing marketing engagement platforms that generate insights and drive sales. The Company’s solutions include shopper marketing promotions, loyalty, rewards, rebates and receipt processing, and it also provides clients the services and expertise to design, execute and promote their marketing programs. Currently, Snipp provides the following main solution sets:

- **Receipt Processing:** The Company’s unique SnippCheck mobile receipt processing solution allows brands to execute customized purchase-based promotions and loyalty programs. It supports any qualification criteria, and works across all retailers and all devices. SnippCheck is the industry’s leading receipt processing solution, currently supporting two of the largest CPG loyalty programs and having processed millions of receipts for hundreds of promotions. The company also has made available API Licensing for clients to incorporate into their own Apps and/or web ecosystems.
- **Loyalty Programs:** The Company’s white-label proprietary SnippLoyalty platform allows clients to deploy anything from simple punch-card programs to sophisticated, full-fledged points-based loyalty programs with rewards stores attached. In particular, the Company is focused on the emerging space of Consumer Packaged Goods and other multi-channel loyalty programs, wherein the combination of its Receipt Processing engine, and its highly customizable loyalty platform and attractive setup profile and economics allows it to significantly differentiate itself from competitors. The Catalyst Enterprise Loyalty solution is a robust, enterprise strength solution targeted at retail and other traditional loyalty markets. The Catalyst solution has several unique features and is extremely flexible, perfect for cross-border solutions requiring multiple currencies, policies, legal requirements, and more.
- **Promotions:** SnippWin, the Company’s proprietary contest platform provides a full range of promotions from contests and simple sweepstakes to instant win programs and tiered, multi-level games. SnippWin is tightly integrated with SnippCheck and allows clients to tie their promotions to actual purchases, thereby getting a clear Return on Investment for the program as well as basket level purchase data from their consumers.
- **Reward Solutions:** With the purchase of Hip Digital Media, the Company now has a robust and proprietary digital rewards platform that can be used by clients either in conjunction with other Snipp solutions or in standalone programs. The Company is actively working towards fleshing out its portfolio of rewards and adding new reward categories.
- **Rebate Solutions:** The Company’s proprietary “Smarter Rebates” solutions platform allows end-customers to qualify for their rebates via mobile devices and receive their rebate checks electronically via a multitude of different options. Clients benefit via lower processing costs, increased transparency, better customer experiences and enhanced data capture.

Snipp generates revenue by designing, constructing, implementing and managing these promotions marketing solutions for its customers. Snipp is headquartered in Toronto, Ontario, Canada, with operations in several cities in the United States and Canada, and international operations in Ireland, Switzerland, and India.

## **FINANCIAL AND OTHER INFORMATION**

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in United States Dollars.

### **FORWARD-LOOKING STATEMENTS**

Certain statements in this document constitute “forward-looking statements”. Some, but not all, forward-looking statements can be identified by the use of words such as “anticipate,” “believe,” “plan,” “estimate,” “expect,” and “intend,” statements that an action or event “may,” “might,” “could,” “should,” or “will” be taken or occur, or other similar expressions. Although the Company has attempted to identify important factors that could cause actual results to differ materially from expected results, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Registrant, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company does not undertake any obligation to update or revise such forward-looking information to reflect subsequent information, events, or circumstances.

## **PART I**

### **Item 1. Identity of Directors, Senior Management and Advisors**

Not Applicable

### **Item 2. Offer Statistics and Expected Timetable**

Not Applicable

### **Item 3. Key Information**

As used within this Annual Report, the terms “Snipp”, “Alya”, “Consumer Impulse”, “the Company”, “Issuer” and “Registrant” refer collectively to Snipp Interactive Inc., its predecessors and affiliates.

### **SELECTED FINANCIAL DATA**

The selected financial data of the Company for the fiscal year ended December 31, 2018, 2017, and 2016 were derived from the consolidated financial statements of the Company which include the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in equity (deficiency) and cash flows for each of the three years in the period ended December 31, 2018. The consolidated financial statements have been audited by MNP LLP, Chartered Professional Accountants, as indicated in its auditor’s report which is included elsewhere in Annual Report. The financial data for fiscal 2015 and 2014 has been derived from the consolidated financial statements of the Company as audited by MNP LLP which are not included herein.

The selected financial data should be read in conjunction with the financial statements and other financial information included elsewhere in the Annual Report.

The Company has not declared any dividends on its common shares since incorporation and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain future earnings, if any, for use in its operations and the expansion of its business.

Table No. 1 is derived from the financial statements of the Company, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Table No. 1  
Selected Financial Data  
IFRS  
(US\$ in 000, except per share data)

	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015 *	Year Ended Dec. 31, 2014
Revenue	\$12,151	\$12,879	\$11,224	\$11,890	\$3,562
Interest and Other Income (Loss)	(\$14)	(\$159)	\$542	\$2,668	(\$1,276)
Net Income (Loss)	(\$3,096)	(\$4,444)	(\$8,573)	(\$3,613)	(\$2,565)
Total Comprehensive Loss	(\$3,139)	(\$4,304)	(\$8,938)	(\$4,431)	(\$2,638)
Basic and Diluted Loss Per Share	(\$0.01)	(\$0.03)	(\$0.07)	(\$0.04)	(\$0.04)
Dividends Per Share	\$0	\$0	\$0	\$0	\$0
Working Capital	\$1,190	\$219	\$190	\$3,501	\$884
Long-Term Debt	\$0	\$0	\$0	\$0	\$0
Derivative Liability	\$0	\$0	\$0	(\$55)	(\$1,614)
Shareholder’s Equity (Deficit)	\$9,278	\$8,750	\$9,123	\$11,292	(\$369)
Total Assets	\$12,778	\$13,231	\$15,838	\$16,738	\$2,506
Weighted Avg. Shares	210,103	157,530	122,907	99,346	63,395
Shares outstanding at year end	226,164	177,737	132,537	105,754	69,928

\* Certain balance sheet items for fiscal 2015 have been reclassified to reflect price allocation adjustments related to the Hip Digital acquisition.

In this Annual Report, unless otherwise specified, all dollar amounts are expressed in United States Dollars (\$).

### Statement of Capitalization and Indebtedness

Not Applicable

### Risk Factors

An investment in the Common Shares of the Company must be considered speculative due to the nature and level of development of the Company’s business. In particular, the following risk factors apply:

## **Risks Related to Our Business**

### **The Company has a limited operating history.**

The Company has a limited operating history and has limited revenues derived from operations. The Company began business operations in 2007 and did not generate its first commercial revenues until 2008. The Company's focus has been in actively developing reference accounts and building sales, marketing and support capabilities. The Company may not be able to achieve or sustain long term profitability which would have a negative effect on the stock price.

### **Problems Resulting from Rapid Growth**

Snipp is pursuing its plan to market its platform throughout Canada, the United States and globally, and will require capital in order to meet these growth plans. There can be no assurances that proceeds from past financings will enable the Company to meet these growth needs. The plan will place significant demands upon the Company, management, and resources. Besides attracting and maintaining qualified personnel, employees or contractors, the Company expects to require working capital and other financial resources to meet the needs of its planned growth. No assurance exists that the plans will be successful or that these items will be satisfactorily handled, and this may have material adverse consequence on the business of the Company.

### **The Company has limited marketing, sales and distribution experience.**

The Company and its personnel have limited experience in the marketing and sales of the Company's products and services. The Company has only recently assembled a direct sales force that requires substantial resources and management attention. The Company may not be successful in developing or maintaining its own marketing and sales force on a larger scale, which would have a negative effect on the Company's operations and financial position.

### **The Company may use acquisitions or other business transactions to expand its business and operations.**

The promotions and mobile marketing industry is highly fragmented. The Company may, when and if the opportunity arises, acquire new or complementary products, technologies or businesses in the marketing and promotions industry. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies and products of the acquired companies, the diversion of management's attention from other business concerns, risks associated with entering new markets or conducting operations in industry segments in which the Company has no or limited experience and the potential loss of key employees of the acquired company. Even if such acquisitions are made, there can be no assurances that any anticipated benefits of an acquisition will be realized. Future acquisitions by the Company could result in potentially dilutive issuances of equity securities, the use of cash, the incurrence of debt and contingent liabilities, and write-off of acquired research and development costs, all of which could materially adversely affect the Company's operations and financial condition.

### **The Company has a significant number of competitors.**

The promotions marketing industry is very competitive, and the Company competes with a substantial number of other companies, both public and private, who offer similar products and services. A number of these other companies have greater financial and personnel resources than the Company, and have greater sales and marketing experience. If these competitors are able to provide more cost-effective products than the Company, or if the Company's systems and technology fail to achieve or maintain market acceptance, or if new technologies are introduced by competitors that are more favorably received than the Company's technology, demand for the Company's products will decline which will have a negative effect on the Company's operations and financial condition.

**Rapid technological change could make the Company's products obsolete.**

The promotions marketing industry is characterized by rapid technological growth and development. New developments in products, methods, technology or standards may negatively affect the development and sale of some or all of the products utilizing the Company's products and technology, and may render them obsolete. New product development and/or modification is costly, requires significant research and development time and expense, and may not necessarily result in the successful commercialization of any new product. The Company must also adapt to changes in industry standards that will require modifications to existing products and applications, including the compatibility with communications networks and mobile operating systems. If the Company fails to invest sufficiently in research and product development, or is unsuccessful in its efforts to enhance, improve or modify its products, or to develop and introduce new products that incorporate new technologies that achieve market acceptance, it will have a negative effect on the Company's operations and financial position.

**The Company has a reliance on third-parties to support its operations.**

The Company relies on certain technology services provided to it by third parties as an important component of its marketing campaign services. There can be no assurance that these third party service providers will be available to the Company in the future on acceptable commercial terms or at all. If the Company were to lose one or more of these service providers, and be able to replace them in a cost effective manner, or at all. This would result in the Company's inability to offer or complete certain of its marketing campaigns for clients, The Company may also be required to collaborate with third parties to develop its products and may not be able to do so on a timely and cost-effective basis, if at all. This may have a negative effect on the Company's operations and financial condition.

**Operations may be subject to changes in laws and regulations.**

A number of new laws and regulations may be adopted with respect to mobile phone services covering issues such as user privacy, "indecent" materials, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Adoption of any such laws or regulations may have a negative impact on the Company's ability to deliver increasing levels of technological innovation, and will likely add to the cost of creating and delivering its products. Such changes may have a negative effect on the Company's operations and financial condition.

**The Company's products face security risks.**

The business of the Company faces certain security risks in several areas, including information technology, network and data. These risks include computer viruses, break-ins, cyber system attacks or other security problems which could lead to disruption or interruption of services to clients as well as misappropriation of proprietary or confidential information of the Company's clients and consumer users. Any failure to adequately address these risks could have an adverse effect on the business and reputation of the Company and expose the Company to potential liability, which would have a negative effect on the Company's operations and financial condition.

**The Company's information technology systems are susceptible to certain risks, including cyber security breaches, which could adversely impact our operations and financial condition.**

The Company's operations involve information technology systems that process, store and transmit data about our business, including customers, employees, and operational and financial information. These systems face significant threats including telecommunication failures, natural disasters, and cyber security threats, including computer viruses, unauthorized access to our systems, and other security issues. Although the Company has taken security measures to defend and secure these systems, there is no guarantee these actions will protect the information systems against all threats and vulnerabilities. The compromise or failure of our information systems could have a negative effect on the Company's operations and financial condition.

**Protection of the Company's intellectual property rights is limited.**

The Company's technology, products and service offerings utilize a variety of proprietary rights that are important to its competitive position and success. These proprietary rights are protected through trade secrets and copyrights, and only limited use of patents. Because the Intellectual Property associated with the Company's technology is evolving and rapidly changing, current intellectual property rights may not adequately protect the Company. The Company may not be successful in securing or maintaining proprietary or future patent protection for the technology used in its systems or services, and protection that is secured may be challenged and possibly lost. The Company generally enters into confidentiality or license agreements, or has confidentiality provisions in agreements with employees, consultants, strategic partners and clients and controls access to and distribution of its technology, documentation and other proprietary information. The Company's inability to protect its Intellectual Property adequately for these and other reasons could result in weakened demand for its systems or services, which may have a negative effect on the Company's operations and financial position.

**The Company's products may be subject to litigation from third party intellectual property rights holders.**

The Company could become subject to litigation regarding intellectual property rights that could significantly harm its business. The Company's commercial success will also depend in part on its ability to make and sell its systems and services without infringing on the patents or proprietary rights of third parties. Competitors, many of whom have substantially greater resources than the Company and have made significant investments in competing technologies or products, may seek to apply for and obtain patents that will prevent, limit or interfere with the Company's ability to make or sell its own systems or provide its own services. Any litigation filed by third parties may result in the diversion of management's attention from the Company's business operations and require the expenditure of significant financial resources.

**International operations may be subject to additional risks associated with doing business in foreign countries.**

The Company currently operates within the United States, Canada, the United Kingdom, Ireland, Switzerland, India and the Middle East, and the Company expects to do business in South America and potentially in other parts of Europe and Asia. As a result, it may face significant additional risks associated with doing business internationally. In addition to the language barriers, different presentations of financial information, different business practices, and other cultural differences and barriers, ongoing business risks may result from the international political situation, uncertain legal systems and applications of law, prejudice against foreigners, corrupt practices, uncertain economic policies and potential political and economic instability. The Company may also be subject to such risks, including, but not limited to, currency fluctuations, regulatory problems, punitive tariffs, unstable local tax policies, trade embargoes, expropriation, corporate and personal liability for violations of local laws, possible difficulties in collecting accounts receivable, increased costs of doing business in countries with limited infrastructure, and cultural and language differences. The Company may face competition from local competitors that have longer operating histories, greater name recognition, and broader customer relationships and industry alliances in their local markets, and it may be difficult to operate profitably in some markets as a result of such competition. Foreign economies may differ favorably or unfavorably from the United States economy or Canadian economy in growth of gross national product, rate of inflation, market development, rate of savings, and capital investment, resource self-sufficiency, balance of payments positions, and in other respects.

When doing business in foreign countries, the Company may be subject to uncertainties with respect to those countries' legal system and application of laws, which may impact its ability to enforce agreements and may expose it to lawsuits. Legal systems in many foreign countries are new, unclear, and continually evolving. There can be no certainty as to the application of laws and regulations in particular instances. Many foreign countries do not have a comprehensive system of laws, and the existing regional and local laws are often in conflict and subject to inconsistent interpretation, implementation and enforcement. New laws and changes to existing laws may occur quickly and sometimes unpredictably. These factors may limit our ability to enforce agreements with our current and future clients and vendors. Furthermore, it may expose us to lawsuits by our clients and vendors in which we may not be adequately able to protect ourselves.

The Company may be unable to fully comply with local and regional laws that may expose it to financial risk. When doing business in foreign countries, the Company may be required to comply with informal laws and trade practices imposed by local and regional government administrators. Local taxes and other charges may not be predictable or evenly applied. These local and regional taxes/charges and governmentally imposed business practices may affect the cost of doing business and may require the Company to constantly modify its business methods to both comply with these local rules and to lessen the financial impact and operational interference of such policies. Any failure on the part of the Company to maintain compliance with the local laws may result in fines and fees which may have a negative effect on the Company's operations and financial condition.

### **Risks Relating to the Financing of the Company**

#### **The Company has a history of operating losses and limited cash flow to sustain operations.**

The Company historically has reported operating losses and negative operating cash flow from operations. The Company has incurred net operating losses of \$3,038,214 in fiscal 2018, \$4,241,303 in fiscal 2017, and \$9,052,731 in fiscal 2016, and has an accumulated deficit of \$24,492,047 since inception as of December 31, 2018. The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The Company has historically relied upon the sale of common shares to help fund its operations and meet its obligations. Any future additional equity financing would cause dilution to current stockholders. If the Company does not have sufficient capital for its operations, management would be forced to reduce or discontinue its operational activities that would have a negative effect on the Company's operations and financial condition.

#### **The Company's operating results may experience significant fluctuations and the Company may never achieve sustained profitability:**

The Company's revenues and operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including limitations on its access to funds for working capital and market acceptance of its services, among others. Revenues and operating results may also fluctuate based upon the number and extent of potential financing activities in the future. Therefore, there can be no assurance that the Company will be able to reach profitability on a quarterly or annual basis. The Company has not conducted independent market studies to validate the business plan and no outside party has made available results of market research with respect to the extent to which clients are likely to utilize its service or the probable market demand for its services. Plans of the Company for implementing its business strategy and achieving profitability are based upon the experience, judgment and assumptions of our key management personnel, and upon available information concerning the communications and technology industries. If management's assumptions prove to be incorrect, the Company will not be successful in establishing its technology business which would negatively affect the Company's ability to continue operations.

**The Company will require additional financing which could result in substantial dilution to existing shareholders.**

The Company will require additional capital in order to fulfill its growth plans as well as for general and administrative expenses. The Company's growth plans are dependent upon the Company's ability to obtain financing through the sale of common or preferred shares, debt financing, or other means. Such sources of financing may not be available on acceptable terms, if at all. Any transaction involving the issuance of previously authorized but unissued shares of common or preferred stock, or securities convertible into common stock, could result in dilution, possibly substantial, to present and prospective holders of common stock. These financings may be on terms less favorable to the Company than those obtained previously. Failure to obtain such financing may result in the Company's ability to expand its product offerings and operations, and have a negative effect on the Company's operations and financial position.

**Risks Relating to an Investment in the Securities of the Company**

**The Company has a dependence upon key management employees, the loss or absence of which could have a negative effect on the Company's operations.**

The Company strongly depends on the business and technical expertise of its management and key personnel, including Chief Executive Officer Atul Sabharwal, Chief Operating Officer Megan Prikhodko, Chief Financial Officer Jaisun Garcha, and Chief Legal Officer & Executive Vice President Corporate Development Rahoul Roy. There is little possibility that this dependence will decrease in the near term. The Company only has "at-will" employment agreements with its key management employees and they are free to leave their employment with the Company at any time. The Company carries no "Key Man" insurance on any of its management, and the loss of any of these individuals is likely to have a negative effect on the Company's operations. As the Company's operations expand, additional general management resources will be required. The Company may not be able to attract and retain the additional qualified personnel that may be required.

**Certain officers and directors may have conflicts of interest.**

The Company may contract with affiliated parties or other companies or members of management of the Company or companies that members of management own or control. These persons may obtain compensation and other benefits in transactions relating to the Company. Certain members of management of the Company will have other business activities other than the business of the Company. Although management intends to act fairly, there can be no assurance that the Company will not possibly enter into arrangements under terms one could argue are less favorable than what could have been obtained had the Company or any other company had been dealing with unrelated persons.

**The market for the Company's common stock has been subject to volume and price volatility that could negatively affect a shareholder's ability to buy or sell the Company's shares**

The market for the common shares of the Company may be highly volatile for reasons both related to the performance of the Company or events pertaining to the industry, as well as factors unrelated to the Company or its industry. The Company's common shares can be expected to be subject to volatility in both price and volume arising from market expectations, announcements and press releases regarding the Company's business, and changes in estimates and evaluations by securities analysts or other events or factors.

In recent years the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly small-capitalization companies such as the Company, have experienced wide fluctuations that have not necessarily been related to the operations, performance, underlying asset values, or prospects of such companies. For these reasons, the price of the Company's common shares can also be expected to be subject to volatility resulting from purely market forces over which the Company will have no control. Further, despite the existence of a market for trading the Company's common shares in Canada, stockholders of the Company may be unable to sell significant quantities of common shares in the public trading markets without a significant reduction in the price of the stock.

**Broker-Dealers may be discouraged from effecting transactions in our common shares because they are considered "Penny Stocks" and are subject to the Penny Stock Rules.**

Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended, impose sales practice and disclosure requirements on FINRA broker-dealers who make a market in "a penny stock". A penny stock generally includes any equity security that has a market price of less than \$5.00 per share that is not registered on certain national securities exchanges or quoted on the NASDAQ system. The additional sales practice and disclosure requirements imposed upon broker-dealers may discourage broker-dealers from effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the secondary market.

Under the penny stock regulations, a broker-dealer selling penny stock to anyone other than an established customer or "accredited investor" (generally, an individual with net worth in excess of US\$1,000,000 or an annual income exceeding US\$200,000 in each of the last two years, or US\$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt.

In addition, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the US Securities and Exchange Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

**As a "Foreign Private Issuer", the Company is exempt from the Section 14 Proxy Rules and Section 16 of the 1934 Securities Act.**

The submission of proxy and annual meeting of shareholder information (prepared to Canadian standards) on Form 6-K may result in shareholders having less complete and timely data. The exemption from Section 16 rules regarding sales of common shares by insiders may result in shareholders having less data.

## **Item 4. Information on the Company**

### **Description of Business**

#### **Introduction**

Snipp's executive office is located at:  
530 Richmond Street West,  
Rear Lower Level  
Toronto, Ontario M5V 1K4  
Telephone: (888) 997-6477  
Website: [www.snipp.com](http://www.snipp.com)  
E-Mail: [info@snipp.com](mailto:info@snipp.com)

The Contact persons are Atul Sabharwal, Chief Executive Officer and Jaisun Garcha, Chief Financial Officer.

The Company's fiscal year ends December 31<sup>st</sup>.

The Company's common shares trade on the TSX Venture Exchange under the symbol "SPN" and Over-the-Counter in the United States under the symbol "SNIPF".

The authorized share capital of the Company consists of an unlimited number of common shares, and an unlimited number of preferred shares, issuable in series. As of December 31, 2018, the end of the most recent fiscal year, and as of April 23, 2019, there were 226,163,904 common shares issued and outstanding, and no preferred shares issued and outstanding.

#### **Corporate Background**

The Company was originally incorporated in British Columbia under the *Business Corporations Act (British Columbia)* on January 21, 2010.

The Company presently has seven wholly-owned subsidiaries.

- Snipp Interactive Inc. (formerly Consumer Impulse, Inc.), a Delaware Corporation;
- Snipp Interactive Limited (formerly Swiss Post Solutions Ireland Limited), an Ireland Corporation;
- Snipp Interactive (India) Private Limited, an India Corporation;
- Snipp Interactive Limited, a UK Corporation;
- Snipp Interactive AG, a Swiss Corporation;
- Snipp Cann Inc, a Nevada Corporation;
- Hip Digital Media, Inc., a Delaware Corporation; and
- Hip Digital Media Inc., a British Columbia, Canada Corporation.

Currently, the Company develops and sells mobile-based promotions solutions and associated campaign services, primarily to publishers, advertising agencies and brands.

## History and Development of the Business

The Company was incorporated in British Columbia under the *Business Corporations Act (British Columbia)* on January 21, 2010 under the name “Alya Ventures Ltd.”. The Company was classified as a Capital Pool Company (“CPC”) and began trading on the TSX Venture Exchange under the symbol “ALY.P” on August 25, 2010. In the Company’s initial public offering, a total of 6,050,000 common shares were issued at a purchase price of C\$0.10 per share for gross proceeds of C\$605,000.

Under the TSX Venture Exchange’s Policy 2.4, a company with only minimal working capital is allowed to list on the Exchange for the purposes of negotiating an acquisition of, or the participation in, assets or businesses. Such companies are classified as a “Capital Pool Company”, or “CPC” and are governed by a specific set of rules and regulations. The sole purpose of a CPC is to identify and evaluate existing businesses or assets for possible acquisition which, if acquired, would provide the company with a full listing on the TSX-V. The only business a CPC is allowed to conduct prior to its Initial Public Offering and listing on the TSX-V is to prepare for its offering. This typically consists of raising a limited amount of seed capital, establishing a management team and board of directors, as well as hiring professionals to assist in the offering, including an auditor, legal counsel, and an agent for the Offering. Once the IPO is completed, the company will use the net proceeds to seek and finance a business in order to complete its “Qualifying Transaction” (“QT”). Once a suitable asset or business has been identified, the CPC will attempt to negotiate an acquisition or participation in the asset or business. The management of the CPC will negotiate with the targeted acquisition regarding acquisition terms. The Board of Directors of the CPC will examine proposed acquisitions on the basis of business fundamentals before approving any proposed transaction.

From the date of listing on the TSX-V, the CPC has 24 months to complete its QT. If the CPC had not completed its QT in that timeframe, the CPC’s shares would be suspended from trading, and possibly face delisting, until such time as a QT has been approved and completed. The CPC may use cash, secured or unsecured debt, the issuance of securities, or a combination thereof, in order to finance its acquisition as its QT. Any QT is subject to approval by the majority of the minority shareholders of the CPC, approval from the TSX-V, and sponsorship of a TSX-V member firm. Trading in the CPC stock will initially be halted from trading before the announcement of a pending QT. The stock will remain halted until the Exchange has completed any preliminary background investigations into the proposed transaction and a sponsor firm has been retained.

All securities which will be held by Principals of the proposed post-QT issuer are required to be held in escrow. Shares will be released from escrow subject to a formula prescribed in the CPC Escrow Agreement which is subject to approval by the TSX-V. Once the QT is complete, the company will resume trading on the TSX-V under its new name and symbol.

On November 18, 2011, the Company announced that it had entered into a definitive agreement with Consumer Impulse, Inc. (“Consumer Impulse”), a Delaware Corporation doing business as “Snipp”, to acquire a 100% interest in Consumer Impulse. Snipp is a provider of a full suite of mobile marketing services in the US and Canada to print publishers, advertising agencies, and corporations and consumer brands. Snipp generates its revenue from the design, construction, implementation and management of these mobile marketing services for customers. Under the agreement, the Company agreed to acquire Consumer Impulse through the issuance of 22,742,305 Alya common shares and 6,188,688 common stock warrants, with each warrant exercisable into one Alya share at a price of C\$0.13 per share for a period of five years from closing. Concurrent with the transaction, the Company would close the private placement of 13,333,333 common stock units at a price of C\$0.15 per unit for gross proceeds of C\$2,000,000. Each Unit consists of one Share and one share purchase warrant entitling the holder to purchase one Share at an exercise price of C\$0.22 per Share until March 1, 2013 and at an exercise price of C\$0.27 until March 1, 2014. The transaction with Consumer Impulse is the Company’s “Qualifying Transaction” under TSX Venture Exchange rules and closed on March 1, 2012. For accounting purposes, the transaction was treated as a reverse takeover with Consumer Impulse as the acquirer and the Company’s financial statements reflecting Consumer Impulse’s history from its inception on March 30, 2007.

Following the closing of the Qualifying Transaction, the Company changed its name to “Snipp Interactive Inc.” and resumed trading on the TSX Venture Exchange under the new symbol “SPN” on March 6, 2012.

In May 2012, the Company announced an agreement with VirKet S.A. de C.V., a leading Mexican provider of digital marketing services, to establish a strategic partnership to offer mobile marketing solutions and associated campaign services in Mexico. The initial term of the agreement 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.

In June 2012, the Company added its new mobile marketing technology, “QR in the Cloud”, to its Mobilize Me platform. The technology allows users to scan quick response (“QR”) codes without a smartphone or reader app.

In September 2012, the Company expanded its international operations to the Middle East, with its first campaigns in Kuwait, and in October 2012 the Company signed an agreement with VirKet S.A. de C.V. and Anuncios en Directorios, S.A. de C.V., Mexico’s leading yellow pages and multi-media advertising company to develop mobile solutions for their clients.

In October 2012, the Company launched its first receipt validation campaign with Arm & Hammer. Customers who purchased 2 boxes of Arm & Hammer Baking Soda could send in their receipts to qualify for a coupon from 1-800-FLOWERS.com.

In November of 2012 the company signed an agreement with eWinery and NXT wine to market its solutions to the wine industry in North America.

The Company partnered with Meredith Corporation in November 2012 to launch an annual program that provided Meredith’s advertisers with customized mobile websites and allowed the reader to engage with the advertiser in a variety of ways. This program began in March 2013 with Meredith’s *Midwest Living* magazine utilizing the Company’s Mobile Site Builder application to create mobile reader response cards.

In February 2013, the Company officially launched SnippCheck, which validates the authenticity of pictures submitted by customers through their mobile phone. The technology has uses in multiple industries, including receipt validation for contests, rewards and rebates.

In March 2013, the Company launched SnippWine, a full service mobile marketing solution for the wine industry, with its first two clients.

In June 2013, SnippQR, a free custom QR code generator, was launched. With SnippQR, users can create high-resolution QR codes with no restrictions on the number of scans per code. In January 2014, the Company entered into a three-year agreement with VirKet S.A. de C.V. where VirKet will use the SnippQR platform for use by Seccion Amarilla's small business clients.

In 2014, the Company launched three new applications based on their existing platforms and technologies. SnippLoyalty is targeted for consumer brands which allows clients to award consumers for both purchase and non-purchase transactions. SnippRebates enables consumers to submit rebate forms and proof of purchases via mobile, e-mail or web uploads, track the status of their rebates, and receive funds electronically, all within 48 hours. SnippInsights is a data analytics program gathers data from its marketing programs and enables clients to better understand their customers and optimize their promotional programs.

In February 2015, the Company closed the acquisition of Swiss Post Solutions Ireland Ltd. ("Swiss Post Ireland"). Swiss Post Ireland has a Consumer Loyalty Management product which is a multicurrency, cloud-based platform which offers real-time benefits and rewards management, including an advanced analytics platform for both reporting and predicting consumer behavior.

At the annual general and special meeting of shareholders held on June 1, 2015, shareholders approved amendments to the Articles of the Corporation. The Board of Directors is considering the possible listing of the Company's common shares on a United States stock exchange. The amendments provide the Board with the ability to make changes to the common shares as required to meet these requirements, and sets specific minimum quorum requirements for shareholders' meetings.

In June 2015, the Company closed the acquisition of HIP Digital Media Inc. ("Hip"). Hip has a marketing platform that integrates digital content, including music, movies, apps, and e-books, into branded promotions.

In June 2015, the Company entered the UK market with the appointment of a UK Managing Director and launched its first program for a leading electronics retailer. In September, the Company incorporated a new subsidiary in Switzerland to provide services to clients in Central and Eastern Europe, including Germany and Switzerland.

In November 2015, the Company launched a new white-label loyalty app for brands and retailers to extend their loyalty offerings into mobile. The app is customizable and scalable to each client's individual needs, including their specific brand.

In March 2016, the Company was selected by Google to Google's Patent Starter Program. As part of the program, the Company has been awarded a US Patent for an improved, non-intrusive method for advertising to wireless subscribers. The Company also became a member of the License on Transfer (LOT) Network, which is an initiative to combat Patent Assertion Entities ("PAE) and which grants fellow participants a license for patents transferred or sold to a PAE.

The Company also announced a global cost savings and integration plan for 2016, which is designed to reduce costs by over US\$2.5 million on an annualized basis. The plan will include a reduction of the Company's global workforce by 20%, the consolidation of its three engineering teams into a single team under the direction of the Chief Technology Officer, and additional operational cost reductions to more closely align costs to its changing product sales mix.

In November 2016, the Company launched its new "Loyalty-In-A-Box" solution designed for consumer packaged goods brands. It is an entry-level loyalty platform that is pre-integrated with SnippCheck and SnippRewards.

The Company entered into a new \$4 million credit facility with Silicon Valley Bank in November 2016. The credit facility is an accounts receivable line of credit for up to \$4 million and provided the Company with additional working capital.

In February 2017, the Company launched Snipp RebateCenter, a cost-effective solution to scaling and efficiently managing rebate promotions across brand portfolios, multiple retailers and geographies. RebateCenter is integrated with SnippCheck and SnippPay, and is a revolutionary product for the rebate promotions market.

In November 2017, Snipp added SnippInsights to its product offerings. SnippInsights expands the Company's reporting and analytics by providing clients with a new portal for business intelligence and data insights for the promotions, rebates and loyalty programs they run with the Company.

In March 2018, the Company announced that Frankenmuth Bavarian Inn in Michigan has migrated its award-winning loyalty program over to the SnippLoyalty platform. This program is Snipp's first loyalty customer in the dining and lodging industry.

The Company launched the Cannabis Marketing Resource Center (CMRC) in March 2018. The CMRC is designed to help its members understand marketing best practices and utilize Snipp's technology and expertise obtained through designing and launching marketing solutions for its customers in other regulated industries, such as alcohol and tobacco.

The assets of Ziploop Inc. were acquired at the end of 2018. Ziploop is a machine learning and artificial intelligence-based promotions, loyalty and influencer marketing platform. Ziploop's intelligent learning technology will be added to Snipp's existing receipt processing platform. This will improve the Company's analysis of user purchasing behavior which will increase the effectiveness of client programs and the Company's ability to monetize the data.

In March 2019, the Company announced the launch of the Snipp Mobile Influencer Platform; a self-serve, cost-effective solution for brands to empower their ambassadors to easily send incentive codes to brand influencers. The platform provides accurate real time data of representative and customer redemption activity, enabling brands to measure the ROI on their influencer investment.

As of December 31, 2018, the Company's backlog stood at \$8.0 million, an increase of 27% from December 31, 2017. The Company also achieved its largest quarter of sales bookings in Company history of \$4.4 million during the 4<sup>th</sup> quarter of fiscal 2018.

## **Business Overview**

Snipp is a loyalty and promotions company focused on developing marketing engagement platforms that generate insights and drive sales. The Company's mobile-based promotions software applications and associated campaign services allow brands to engage and interact with their customers. The primary clients for the Company's products are advertising agencies, corporate/consumer brands, including Fortune 500 companies, and third party companies that provide promotions marketing services.

Mobile marketing is a relatively new industry that has evolved with the advances in mobile telephone technology. The dramatically increased power and capabilities of smartphones has also increased the types of marketing and promotional materials that can be pushed to the consumer via the mobile gateway, as well as the ways in which consumers can submit information and communicate directly with brands, thereby giving rise to a host of new marketing mechanisms that can be effectively leveraged by brands. These mechanisms include targeted delivery of marketing materials to specific consumers, such as those that have already purchased a specific product, or are physically present in-store, for example. It also allows consumers to submit store receipts via their phones to prove purchase of a particular product.

Leveraging a consumer's mobile device to validate purchase enables consumer brands to execute marketing programs like loyalty, rebates and promotions easily and cost effectively. Traditionally since consumer brands distribute their products through hundreds of different channels and thousands of different retailers, running programs tied to purchase required expensive "code-on-pack" or cumbersome "mail-in" alternatives. Further, the Company is in a privileged position as it has access to a vast amount of actual purchase data provided by customers participating in programs that can be leveraged to improve the efficacy of marketing programs.

The Company's mobile-based promotion solutions enable consumers to participate in promotions and campaigns in a manner that is easier and with greater transparency than traditional "mail-in" alternatives. The Company's solutions also enable brands to create new types of incentive programs and unique qualification criteria that would not have been possible with traditional solutions.

Currently, Snipp provides the following main solution sets:

- **Receipt Processing:** The Company's unique SnippCheck mobile receipt processing solution allows brands to execute customized purchase-based promotions and loyalty programs. It supports any qualification criteria and works across all retailers and all devices. SnippCheck is the industry's leading receipt processing solution, currently supporting two of the largest CPG loyalty programs and having processed millions of receipts for hundreds of promotions. The company also has made available API Licensing for clients to incorporate into their own Apps and/or web ecosystems.
- **Loyalty Programs:** Snipp has two loyalty offerings:
  - A white-label SnippLoyalty platform that allows clients to deploy anything from simple punch-card programs to sophisticated, full-fledged points-based loyalty programs with rewards stores attached. This solution is focused on the emerging space of CPG and other multi-channel loyalty programs, wherein the combination of its Receipt Processing engine, and its highly customizable loyalty platform and attractive setup profile and economics allows it to differentiate itself from competitors.
  - The Catalyst Enterprise Loyalty solution is a robust, enterprise strength solution targeted at retail and other traditional loyalty markets, and had been purchased from SwissPost in 2015. The Catalyst solution has several unique features and is extremely flexible, perfect for cross-border solutions requiring multiple currencies, policies, legal requirements and more.

- **Promotions:** SnippWin, the Company’s promotions and sweepstakes platform provides a full range of promotions from contests and simple sweepstakes to instant win programs and tiered, multi-level games. SnippWin is tightly integrated with SnippCheck and allows clients to tie their promotions to actual purchases, thereby getting a clear Return on Investment for the program as well as basket level purchase data from their consumers.
- **Reward Solutions:** With the purchase of Hip Digital Media in 2015, the Company acquired a robust digital rewards platform that is used by clients either in conjunction with other Snipp solutions or in standalone programs. The Company continues to flesh out its portfolio of rewards and adding new reward categories.
- **Rebate Solutions:** The Company’s “Smarter Rebates” solutions platform, launched at the beginning of 2017, allows end-customers to qualify for their rebates via mobile devices and receive their rebate checks electronically via a multitude of different options. Clients benefit via lower processing costs, increased transparency, better customer experiences and enhanced data capture.

In addition to its solution sets, Snipp also provides related services, including comprehensive advice in conceptualizing promotion marketing programs, rapid and flexible deployment based on the Company’s technology platforms, and tracking & analysis of customer data.

### *Principal Markets*

Currently the Company’s principal markets are the United States and Canada, with the majority of the revenues from the United States. The Company has also expanded into other markets with sales offices in Ireland, the United Kingdom, Switzerland, and India which service both local clients and other international regions.

The Company allocates revenue on the basis of the location of the customer. The Company’s geographic revenue for the last 3 fiscal years is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
United States	\$ 9,588,256	\$ 10,915,948	\$ 9,134,602
Ireland	1,387,842	838,422	855,846
International	1,175,188	1,124,649	1,233,279
<b>Total</b>	<b>\$ 12,151,286</b>	<b>\$ 12,879,019</b>	<b>\$ 11,223,727</b>

### *Competitive Position*

The promotions market is large, but fairly fragmented with numerous specialties. The mobile segment is relatively new, and has grown rapidly with the deployment of more powerful mobile phone technology. There are few firms that provide a full range of promotions services, including the technology to enable specific campaigns through to the ancillary support services, including legal and rewards, and none of them have a significant share of the overall market.

The Company believes it is well-placed in the market for two primary reasons. First, through its own staff or through its network of partners, it is able to present clients with a “single point of contact” for all their promotions related activities. Second, the Company’s SnippCheck receipt processing program is relatively unique in the industry. While there are other firms that offer receipt processing services, the Company’s range of promotional campaigns built on top of SnippCheck, combined with the flexibility of the campaign services and experience provides the Company with advantages over other Companies in the mobile promotions market. The addition of its new applications to its existing suite of technologies has expanded the Company’s capabilities and range of offerings that allows the Company to provide a broader range of services to its clients.

### *Nature of the Business*

Revenues are generated primarily from providing its mobile-based promotions platform and related services to agencies, brands and related parties. As part of its service the Company helps its clients conceptualize and execute the campaigns, and has the capability to bundle all of the required components of the for a specific campaign, including rules, creative, and rewards, as well as the technology to implement the campaign, and the data collection and analysis.

Although the promotions business is seasonal in nature, with many large campaigns traditionally constructed around holidays and certain seasons, the Company’s revenue growth has not been materially impacted to date. However, the Company anticipates that this seasonality may have an impact on revenues in the future.

The Company is able to customize the marketing campaign for each customer by utilizing its various applications and marketing components individually or together. These components include:

### **SnippCheck – Receipt Processing and Purchase Validation**

SnippCheck is a mobile receipt processing solution. Consumers can submit receipts to validate their purchases in exchange for coupons, rebates, expenses and loyalty programs, using just their phone. SnippCheck does not require consumers to download an app, or even have a smartphone as it is compatible with any camera-equipped mobile phone. SnippCheck can also be easily integrated into existing third party apps via its API if required.

The program allows a customer to submit a photograph of their receipt directly from their phone to the Company, either through messaging or e-mail. Additional information is submitted through a mobile web form. Any receipt from any store can be processed by the program and it is independent of the retailer’s Point-of-Sale systems. Submissions are validated through sophisticated Optical Character Recognition (OCR) which enables the Company to handle large volumes of receipts quickly. Receipts can also be manually validated by the Company’s operations team, if required. Manual and automated fraud detection measures prevent duplicate submissions as well as other attempts to violate program rules. The program can also be customized to support other kinds of submissions, such as multiple image submissions, product registrations, or proofs of purchase. Users can check their submission status at any time, and are notified if submissions are incomplete or invalid.

For the Company's customers, the benefits for SnippCheck over traditional submission programs include:

- Consumer convenience: No requirement to photocopy, print or mail submissions
- No need for on-pack codes: Utilizes the customer receipt and not the product packaging which eliminates the need for special promotional codes to be included on the packaging
- "Pop-up" capability: Campaigns can be set up very quickly, even overnight, and can last for short-periods of time.
- Detailed Tracking, Reporting and Analytics: Brands receive detailed information about their customers and buying habits. Who the customers are, as well as what they are buying and where.
- Customizable Qualification Rules: The system is extremely versatile and allows for a variety of different qualification rules for programs, enabling brands to create sophisticated promotions.
- Processing speed: Turnaround time is days rather than weeks for traditional submission programs, and all workflow is digitally transcribed as part of the process.
- Cost-effective: No postage costs or expensive product packaging changes, such as on-package codes or labelling, are required.

Each campaign has a dedicated mobile site with program instructions, functionality for users to check submission status, view/retrieve submissions, and more. Consumers are notified at each step of the program and have full transparency into their submission status via the dedicated mobile site. Each campaign is completely customizable and supports multiple variations, including multiple submissions, user registration, customized messaging, participation limits and more. The Company also provides multiple reward and redemption options, from electronic coupons to paper checks.

SnippCheck can also validate photographs, which is useful for brand engagement campaigns. Such campaigns include contests to display a customer's use of a brand's product. The Company validates all images and ensures that inappropriate content is flagged. It can also integrate with Social Media where all content can be posted, as a form of entry, or reposted by the client for brand marketing.

An example of SnippCheck's use in brand promotion was a campaign for Quantum Rewards. Quantum was looking for an innovative way to promote the launch of the new Madden Football Game for the Xbox 360 video console in Walmart Stores for their client, EA Games. The agency and brand wanted to create a promotion whereby they encouraged consumers to purchase the game in conjunction with a snack product. They wanted the promotion to be launched nationwide and done without having to integrate into the Walmart Point-of-Sale system which would be too time consuming for the promotion. Therefore, SnippCheck was used for the promotion. Consumers were informed about the promotion using in-store promotional materials. In order to qualify for at \$10 eGift card from Walmart, consumers had to purchase the game along with one qualifying snack product and submit a photo of their receipt through their mobile phones. SnippCheck received the purchase submissions and once validated, consumers were sent back their Walmart eGift code via text message to their phones.

Snipp's solutions can also operate campaigns based on dollar amounts spent as opposed to simply products purchased. Quantum Rewards also used SnippCheck for another EA Games' promotion at Walmart. In this campaign, their co-promotion partner, M&M's candies, wanted the qualification to be based on a dollar amount spent. Consumers had to purchase EA's Forza Motorsport 5 video game at Walmart as well as \$8 worth of qualifying M&M's. SnippCheck was able to process the mobile receipt submission and determine if the required dollar purchases had been made before returning the rewards to the qualifying consumers.

SnippCheck and other Snipp solutions are recognized by brands as an effective method to obtain important consumer behavior information. Smithfield and Gwaltney brands conduct various NASCAR related sweepstakes each year to incentivize consumers to purchase additional branded products, including meet and greets with Smithfield sponsored drivers. They were previously handing all contests through mail-in, but this method did not provide the means to capture important information or tie spending to specific retailers. It also did not provide on-going connection to consumers by opting participants into future promotions. The newest sweepstakes solved those issues by going digital through the use of SnippCheck. Consumers text in a keyword based on the retailer they are shopping at for instructions, then send in a picture of their qualifying receipt. Snipp also alerts the winners once they have been chosen.

The rewards programs can offer other types of rewards than cash. M&Ms wanted to incentivize sales and build its brand with a movie offer. Consumers who purchased qualifying M&M'S® Brand Products or one specially-marked M&M'S® Brand Chocolate Candies could submit their receipt via text, email or web upload. After validation by Snipp, they would receive a \$12 digital reward code from Fandango.

Snipp has conducted a number of campaigns for Henkel. In the Spring of 2017, the Company set up and managed a custom rewards store for Purex laundry detergent. Henkel initiated the campaign to drive customers to switch to Purex laundry detergent, incentivize sales of specific scents, and create excitement around the brand through highly relevant and immediate rewards. Rewards were printed on instantly redeemable coupons (“IRC”) on Purex packaging. Customers with the IRC can take the code, visit the rewards website where they can search, choose, and redeem the code for 2 credits redeemable for a song.

SnippCheck can also validate eligible promotion participants by location or by age. Pernod Ricard launched a rebate program on the Snipp platform for Oak by Absolut vodka. Customers who purchase 750ml or 1-liter bottles from retailers in select states can submit a picture of their receipt by text or by web upload. SnippCheck validates the receipt for purchase eligibility as well as by age and state gate requirements in order to receive a \$5 rebate by check or Paypal.

Promotions such as the above allow brands to tie their programs to a more detailed return on investment than they could have in previous promotions.

### **SnippLoyalty – Enterprise Class Loyalty Solutions**

Snipp’s loyalty platform was acquired through the Swiss Post Ireland purchase in February 2015. It is integrated with all other Snipp products to provide a seamless and uniquely configurable loyalty experience. Brands can create multiple types of loyalty programs, including;

- Punchcard loyalty based on quantity, frequency or value, or more. Once a user reaches a certain number of purchases or dollar volume spent, they automatically receive a reward.
- Points-based rewards stores. Clients can create tiered, points-based ongoing loyalty programs with multiple reward options.
- Digital media reward stores.
- Custom rewards stores

Rewards can be earned in numerous ways, including:

- Purchases
- Media interactions, such as texting a keyword
- Social media interactions, such as likes, tweets, follows, check-ins, posts, and sharing with other users

There are all kinds of different rewards options that can be earned, including:

- Prepaid credit cards;
- Digital coupons;
- Digital media;
- Physical rewards store and more

Programs are built with cross-device compatibility, including mobile, web or app based. Users can manage their accounts, check reward balances, view or redeem rewards, review their history, and more. Access is based on the user's phone number and simple password created at registration. Utilizing the platform, clients can collect important customer data based on customer demographics and interactions and includes retargeting options to strengthen their relationship with their customers.

The Company has 3 versions of SnippLoyalty which allow customers to scale and customize the product to their specific needs.

SnippLoyalty Base is the entry level product. It has all the core functionality needed to launch and run an effective, low-cost loyalty program. The product includes:

- Client-branded responsive website
- Flexible points engine
- Built-in receipt processing technology
- Receipt transcription
- Pre-configured promotions
- Rewards for engagement activities, such as social media interactions
- Integrated digital rewards store
- Insights dashboard

SnippLoyalty Enhanced includes all the features of SnippLoyalty Base with additional features that can be added to a loyalty program. These additional functions include:

- Customizable member portal
- Self-administered promotions engine
- Additional engagement activities
- Advanced points earning options
- Enhanced rewards store
- Third party or brand merchandise
- Additional promotions options (retailer & location-specific)
- Segmentation tool
- Survey tool

SnippLoyalty Enterprise includes all the features of SnippLoyalty Base and Enhanced with additional features which make Enterprise a comprehensive suite with completely custom options. These features include:

- Dynamic content options for member portal
- Real-time Point of Sale integrations and points/promotion engine
- Configurable business rules engine for custom rules
- Deep database segmentation capabilities
- Tiering capabilities
- Integration with 3<sup>rd</sup> party systems, including eMarketing platforms, ERP systems, e-commerce platforms, etc.
- Completely customizable rewards store
- Expanded redemption capabilities
- Consumer loyalty app
- Advanced analytics and reporting

In 2015, Snipp also launched a “white-label” app as a companion to SnippLoyalty. This new app is designed for brands who want to extend their loyalty offerings to mobile, and are completely customizable for each clients’ needs. As a white-label product, the brand or store can rebrand the app with their own name and logos. Please refer to the [www.snipp.com](http://www.snipp.com) website to see examples of programs.

### **SnippWin – Promotions and Contest Engine**

SnippWin is the Company’s promotion platform. It allows clients to engage customers through the deployment of contests, mobile promotions and social media related interactions. Components include:

**Instant Win:** The product supports a full range of instant win contests, including mobile scratcher games, text-to-win and sophisticated tiered and combo programs.

**Sweepstakes:** The Company offers a complete suite of sweepstakes services, including legal, fulfillment, activation, marketing, and random winner selection.

**Gift with Purchase:** Give customers a gift with their verified receipt of purchase

**Coupons:** Coupons can be distributed to respondents through various avenues, including:

- **Text-Based Coupon Codes:** Simple keyword-based text message campaigns in which the user receives back a special coupon code they are able to redeem in-store or online.
- **One-Time Use Coupon Codes:** One-time use coupon codes ensure that multiple users do not “share” the same coupon code as it can only be redeemed once.
- **Purchase-Related Coupons:** SnippCheck can validate a consumer purchase and issue a coupon. This application works across all retailers and channels.
- **Paper Coupons:** Address can be collected with mobile forms and used to deliver paper-based coupons by mail. The mobile forms are able to check for duplicate entries, set sample limits, automatically clean addresses and more.

**Sample Programs:** Brands can use the platform to distribute samples to consumers who request them through a variety of the Company’s applications.

**Continuity Programs:** Brands can collect more consumer insights, drive consumer behaviors or test drive loyalty. Includes collect & get programs, punch cards, and short term point based catalogs.

**Photo Contests:** The platform enables multiple kinds of photo contests through picture text messaging, email and social media.

**Image Recognition:** The platform’s image recognition technology allows for most any image to be included as a trigger for marketing promotions. Examples are a client’s logo, specific product packaging, or advertisement. Consumers can take a photo of the specific image and submit through their mobile phone, website, social media or email to participate.

**Social Media:** Numerous social media sites can be integrated into the client campaign.

Snipp offers comprehensive messaging solutions, including alerts, mobile video and picture text messaging, which can be integrated into any campaign. The Company also provides all the backoffice services, including activation, rewards, fulfillment and legal. Please refer to the [www.snipp.com](http://www.snipp.com) website to see examples of programs.

## **SnippRewards – Rewards and Incentive Platform**

Through SnippRewards, brands can incentivize and reward consumers with millions of digital and physical rewards, including cash, products, coupons and experiences. Clients can integrate reward options using an API or the Company's white-labeled reward store.

SnippRewards offers a wide variety of rewards and fulfillment options. These include:

- **Cash Back (SnippPay)** - including Paypal, prepaid cards (physical and digital, store gift cards or pre-paid credit cards), direct-to-bank account, direct-to-credit card, postal checks
- **Digital Rewards** - including music, movies, apps and games, eBooks and magazines
- **Data Rewards** – Through the unique integrations Snipp has with the largest cellular data providers in the US, eligible customers can be rewarded with mobile data that is added directly to their monthly plan.
- **Movie Tickets (SnippTix)** – Online movie tickets, physical ticket vouchers, or a branded movie ticket experience
- **Discount Coupons** – including mail to home or print at home
- **Catalog and Physical Prizes** – including thousands of popular items, or branded gift items
- **Experiences**
- **Charity Gifts**

The Company offers several methods to implement SnippRewards. It can be hosted by the Company, or on a self-service platform that brands may customize and deploy themselves. The solution can also be integrated into existing infrastructure. SnippRewards can also be fully integrated with other Snipp solutions.

Kingsford and Walmart used SnippRewards to incentivize buyers of charcoal grills at Walmart to use Kingsford charcoal. Customers who bought any charcoal grill at Walmart during the promotion period in Spring 2015 could snap a photo of their receipt and submit it to Snipp by text, email or via web upload to receive a coupon for a free bag of Kingsford Charcoal. SnippCheck was used to validate all purchase receipts and coupons were mailed out to qualifying recipients.

Barilla utilized SnippRewards to award points to buyers of Barilla products. Consumers who purchased Barilla products could snap and send a picture of their receipt to earn points. Users were exposed to banner ads announcing the program with Barilla. On clicking, their unique user ID was sent to a Snipp upload page, where they could submit a picture of their qualifying purchase receipt. SnippCheck validated the purchase receipt, and consumers were awarded points.

Georgia Pacific used SnippCheck and SnippRewards to engage shoppers across the United States and increase basket size for GP products, without affecting brand packaging at retail. Consumers could snap a photo of their receipt showing a qualifying purchase, upload it to a branded Receipt Rewards platform, and post validation instantly receive a reward. For every qualifying purchase of \$25 worth of participating GP products, a consumer received a \$10 Back to School Prepaid MasterCard®. Consumer participation was 10 times the forecasted level.

With the acquisition of Hip Digital, the Company has significantly expanded its platform capabilities and rewards offerings. Hip’s proprietary platform blends technology and content. Hip has agreements with leading music labels, movie studios, mobile apps and ebook publishers and utilizes the content for both the promotion and as rewards.

Hip conducted a promotion for Budweiser to deliver digital music as a reward to their buyer’s club members. Hip worked with Budweiser and their agency partners to design and deliver a solution which would incentivize sales and increase membership in their “King Club” loyalty rewards club. Hip integrated its rewards platform web channel with the Budweiser King Club platform, which is accessible to legal age, new and existing King Club members. With each purchase of Budweiser, members received a five credit pin code valid for over four million music tracks for all four Major Music Labels, plus Independent Music Labels. The promotion drove a significant increase in membership for Budweiser’s King Club and saw repeat purchase behavior of two or more cases, and engagement rates two times the brand’s industry benchmark.

### **Snipp Rebates (Marketed as SmarterRebates) - Rebate Solutions**

SnippRebates is a convenient, cost-effective alternative to traditional rebate programs.

Users can submit their receipts by picture text messaging, email, web-upload, or traditional mail-in. User submissions are processed using SnippCheck with built-in fraud detection. Users are able to view the status of their rebate submission at any time and are notified of the outcome. SnippRebates supports multiple different qualification criteria including single purchases, purchases over time, quantity or dollar spend thresholds, cross purchases, or a purchase frequency basis. Clients, or their customers, can choose their own rewards delivery mechanisms, including credits to a customer’s bank account or creditor card, pre-paid credit or gift cards, Paypal or Google Wallet, digital coupons, or traditional checks in the mail. Clients also receive demographic and purchase data for all their programs.

In February 2017, the Company launched Snipp RebateCenter, a scalable, cost-effective solution to manage rebate promotions across brand portfolios, multiple retailers, and geographically. The solution is integrated with SnippCheck and SnippPay and gives brands the ability to rapidly configure and customize their own rebate programs, with multiple submission methods and cash payment options. The solution also offers real-time analytics which is connectable to the brand’s Customer Relationship Management (CRM) system or Point-of-Sale (POS) systems.

Pernod Ricard wanted to drive cross brand promotion sales for Kahlua and Keurig to expand their customer base and promote the combination beverage of coffee and Kahlua. The “Give your coffee the hook up” fall rebate promotion allowed consumers who purchase one bottle of 750ml or larger Kahlua AND one 12-pack or larger size of Keurig Original Donut Shop K-Cups to submit their receipt by texting or via web upload to receive a \$5 rebate via Paypal or Check.

### **Data Analytics**

SnippInsights was added to the Company’s product offerings in November 2017. SnippInsights expands the Company’s reporting and analytics by providing clients with a new portal for business intelligence and data insights for the promotions, rebates and loyalty programs they run with the Company. It is available across the Company’s entire product suite.

SnippInsights provides clients with information about their customers and their purchase habits from data generated from their Snipp programs. It features a robust set of off-the-shelf reports, analytical tools and data visualizations. Clients gain in-depth business intelligence and obtain a competitive advantage by seeing how demand for their product compares. They can observe shopping patterns over time, identify opportunities for coalition programs, and locations for hyper-targeting and custom personalization.

Reports are downloadable in multiple formats, and interactive data visualizations allow easy manipulation of data, which includes:

- Sales behavior data including average spend, total basket spend, location data, retailers, time of day and day of the week
- Key campaign metrics including users and submissions, broken down by source
- Comprehensive listing of products purchased for each valid processed receipt
- Registration details from qualifying users
- Key Demographics by age and gender and Receipt Submissions grouped by web, email, mobile upload, API
- Displays exception source address, link to receipt image and exception comment
- Detailed listing of invalid receipts with receipt image links and invalid reasons
- Aggregate count of invalid submissions grouped by each invalid reason
- Transcription of 1000 receipts with data visualizations

The recently completed acquisition of the intellectual property assets of Ziploop has added to the Company's analytical and reporting capabilities. Ziploop is a machine-learning and artificial intelligence-based promotions, loyalty and influencer marketing platform. The intelligent learning components will increase the Company's capabilities in analyzing user purchasing behavior which will improve the effectiveness of client programs and the value of the generated data.

The Ziploop technology powers the Company's recently launched Mobile Influencer Platform, which is a simple and flexible solution that enables companies and their representatives to send high value incentive codes, product seeding codes, and digital procards to influencers and consumers. Brands can quickly and easily configure and customize multiple campaigns with unique graphics and terms and allocate codes, all via the app. The platform allows brands to efficiently manage and track activity by representative and incentive code usage, eliminating misuse and waste of cards. Platform features include accurate, real time data of representative and customer redemption activity, enabling brands to measure the ROI on their influencer investment.

### **Current and Anticipated Activities**

The promotions marketing industry is a large industry and will continue to represent a key focus area for the Company especially as new vertical markets open up for the company to implement its solutions. In addition to the promotions marketing industry, Management will look to expand its presence in the still new and rapidly evolving CPG/multi-channel loyalty space as well as enter previously untapped and evolving markets that the company has identified its platforms are well suited for. The purchase level data that the Company collects through its loyalty, rebate and receipt solutions allows it to help brands better plan and optimize all of their advertising spend (and not just for promotions and loyalty). By tracking the activation source and leveraging the purchase data captured from existing program management believes it will be able to capture additional share in the global advertising market.

In addition to the continued development of the Company's existing platforms and the launch of solutions targeted to new markets, repeat business from large global brands, an increasing number of Fortune 500 customers directly approaching the Company for its solutions, and opportunities for the Company to make strategic acquisitions, Management believes it is in a very strong position to further penetrate expand the vertical markets its services not only in the United States of America but also in other key markets including Canada and Western and Central Europe.

Management believes that the Company is well poised in the market for a variety of reasons:

1. Continued strength of the existing SnippCheck platform
2. Further iterations and enhancements of its Loyalty, Rewards and Rebates platforms
3. Multiplier effect of the current organic business model
4. Effect of recruiting a sales force and attendance at additional industry events
5. Increasing requests and opportunities for long term licensing and services contracts given its new products allowing the company to go deeper into its roster of Fortune 500 clients.
6. Higher acceptance and adoption of the Company's solutions by marketing professionals
7. Opportunities to merge and/or acquire complimentary companies

### **1. Continued Strength of the Existing SnippCheck Platform**

The Company is seeing continued traction with SnippCheck, its mobile receipt processing solution. SnippCheck is one of the pioneers in the space of receipt processing and purchase validation. While there are several new companies that are also offering receipt-based purchase validation, SnippCheck remains the market leader in terms of the number of programs and the size of programs that utilize the SnippCheck platform. It is the leading solution for brands looking to do programs at scale, having powered several hundred programs for leading Fortune 500 brands and world-class agencies and partners as well as the two largest CPG receipt-based loyalty programs. SnippCheck is unique in that it offers clients 100% accuracy at scale in the processing of its receipts, and with the most friendly user-experience available.

The solution is highly customizable, flexible and extensible and can easily be tailored to meet each client's unique program needs. SnippCheck also serves as an effective engine around which to continue to add promotions-related features and functionality requested by clients. The Company continually builds on these components with the eventual vision of creating a closed-loop, single-platform solution for marketers across the path to purchase. Further, the Company's 100% accuracy and straightforward user experience are continuing to differentiate it in the industry as more CPG and other multichannel clients recognize the value of such a solution.

SnippCheck remains the cornerstone of the Company's expansion strategy into new sectors such as Loyalty and Rebates. Multichannel brand categories (like CPG, apparel, electronics, beauty) all face the same constant problem in their marketing activities: how to validate and incentivize consumer purchases and create direct transaction-based connections with them. As receipt processing itself becomes more of an accepted solution to consumers, the value of the SnippCheck platform and its extensibility to other segments continues to increase.

Management believes opportunities exist in acquiring point solutions that further add or enhance platform capabilities. The Company is constantly evaluating companies that will be complementary to its existing platform and/or allow it to acquire new customer relationships. The promotion market space is highly fragmented and management believes under the right circumstances opportunities exist to consolidate companies in different parts of the promotion marketing eco-system.

## 2. Further iterations and enhancements of its Loyalty, Rewards and Rebates platforms

A. *SnippLoyalty*: In exploring spaces adjacent to its current set of offerings, Management identified other industries that are well suited for its loyalty solution and a key area for expansion. Management believes there is significant scope to further enhance the integration of its SnippCheck receipt processing solution with its enterprise loyalty platform to target new markets alongside the existing focus of its sales efforts.

B. *SnippReward and Data Rewards*: The Company reward platform has been strengthened and enhanced with new reward types. The Company has already expanded its Rewards offerings to include movie tickets, PayPal and other money back mechanisms. The Company has also incorporated Data Rewards and will continue to add rewards to its portfolio as needed

C. *SnippRebates*: The Company launched its Snipp Rebate Center and SnippRebates solutions to target the growing rebate industry in 2017. The Rebate Center and SnippRebates are designed to reduce costs for manufacturers while providing consumers with a better experience. The rebate industry is growing every year but is still very traditional, relying on labor-intensive processes involving paper, form filling, manual data entry, telephone support, postage and issuing checks. SnippRebates automates either parts of the process or the entire operation. Over \$8 billion is issued back to American households each year through rebate programs, with over 50 percent of the population participating in consumer rebate programs. At the core of SnippRebates is Snipp's leading purchase validation platform, SnippCheck. While manufacturers have total flexibility on how to configure their rebate program, SnippCheck enables consumers to submit rebate forms and proof of purchase via mobile, email or web uploads, track the status of their rebates, and receive funds electronically, all within 48 hours.

D. *SnippInsights Data Analytics*: Through its marketing programs the Company continues to accumulate a vast amount of data about consumers, gaining insights into their demographics, purchase habits, shopping basket data as well as sources of entry into promotions. Because this information is extremely valuable to brands, the Company is productizing the data to create analytics solutions to enable brands to better understand customers, behaviors and trends. Furthermore, by tagging the entry mechanism by which a consumer enters a particular promotion, the Company has unique insight into which awareness building channels are most effective for a particular client for a particular program. As a result, we can work with each client to better optimize their promotion spend across those channels.

## 3. Multiplier Effect of the Company's Current Organic Business Model

The Company sits at the intersection of three traditional elements in the marketing world that will help it accelerate its business. The combination of Promotion Windows, Multi-brand Clients/Agencies, and Channel Specific Promotions create opportunities for the Company's continued revenue growth.

a. *Promotion Windows*: Large brands across industry categories build their marketing plans around promotion windows. There are over 80 traditional promotional windows in the year (e.g. New Year's Day, Valentine's Day, Back to School, Thanksgiving, Christmas). These do not include promotion tactics marketers have to take in response to competitive action or declines in sales. In a given year a brand runs multiple promotions to take advantage of the various promotion windows applicable to their product niche, giving the Company multiple opportunities to sell its promotions solutions.

b. **Multi-Brand Nature of Its Clients:** The Company continues to receive an increasing amount of interest from Fortune 500 clients across industries as well as leading global marketing and advertising agencies, many of whom belong to the “Big Four” agency holding groups. Snipp is currently executing a number of new and repeat campaigns with such clients who invariably work with Snipp across multiple brands as the relationship expands. Each of these clients has a large portfolio of brands with their own P&L. Snipp also works with leading global marketing and advertising agencies that serve multiple large brand clients. A majority of the agencies that Snipp currently works with belong to the “Big Four” agency holding companies. Core to Snipp’s growth strategy is in going deeper with each of these multi-brand companies and agencies and capturing additional share of their overall shopper marketing budgets.

c. **Channel Specific Promotions:** Brands and agencies plan promotions specifically for different retail channels across their promotion windows. There are numerous retail channels (e.g., Walmart, Target, CVS, Walgreens) and each channel typically has a brand-funded "channel budget." Many large brands run the same promotion across multiple channels at the same time or at different points to maintain the illusion of exclusivity. The Company’s promotion solutions are unique in their ability to target any specific combination of channels, thereby making them very attractive to brands looking to run channel-specific promotions.

#### **4. Effect of Continuing to Build Our Sales Force and Attendance at Industry Events**

The Company has now established itself as a well-known player in the promotions and loyalty marketing space. Management believes that opportunity exists to generate business by continuing to improve productivity and to add to its direct sales, particularly now that it has five well-defined product lines and hundreds of campaigns under its belt. The Company has implemented a salesperson training and identification strategy wherein junior staff are hired as Business Development Representatives (BDRs), responsible for generating leads. As they mature and prove themselves, they graduate to becoming junior salespeople and eventually full salespeople. This strategy is bearing fruit; a significant portion of our top salespeople are former BDRs. Additionally, as we continue to create new solutions lines that are more finely targeted at specific customer segments and verticals, we may choose to recruit experienced salespersons with deep expertise and customer contacts in those specific areas, thereby improving on the effectiveness of the sales process.

#### **5. Increasing requests and opportunities for long term licensing and services contracts given its new products allowing the company to go deeper into its roster of Fortune 500 clients.**

Management has been able to sign long term agreements and MSAs as well as renew deals with several key clients who are looking to license components of the Snipp platform or lock-in pricing for multiple sets of programs or for longer term evergreen programs. Management continues to be approached by existing clients and is engaged in multiple such new conversations aided by the launch of its Loyalty base and Snipp Rebates products. Opportunity also exists to sign deals with international companies who have previously utilized the company’s products in North America. The Company is exploring multiple such sales opportunities.

#### **6. Higher acceptance and adoption of its solutions by marketing professionals**

Given the large number of clients that have run programs and signed deals with the Company across industry segments, the tactics and mechanics that Snipp uses to activate, validate and incentivize customers is becoming more mainstream. Consequently, the Company believes that its early-adopter clients are increasingly giving way to more traditional clients who would be willing to work with Snipp to help close the loop between advertising and tracking purchases.

## **7. Opportunities to merge and/or acquire complimentary companies in its space**

The Company is uniquely poised to execute a consolidation strategy in the promotion marketing space. This segment of the advertising industry is inherently fragmented and poised for an aggregator to consolidate players. Completed acquisitions have strengthened the Company's product portfolio and sales operations and have been successfully integrated into the Company. The Company is actively looking to do additional such complementary transactions where they strategically fit with the Company's growth strategy.

In March 2018, the Company launched the Cannabis Marketing Resource Center ("CMRC") for member companies in the regulated cannabis industry. The CMRC's mission is to help members understand both consumer and business-to-business marketing best practices utilizing Snipp's experience and knowledge in designing and operating marketing programs in other, more mature, regulated industries, including alcohol, tobacco, and pharmaceuticals. The goal is to help cannabis marketers launch marketing solutions that are sophisticated and legally compliant. Members can join the CMRC for free and obtain access to the Company's case studies and consultation with Snipp's design and deployment teams, which include employees with deep cross-industry, legal and technical knowledge. To date, the Company has signed a number of companies as CMRC members.

At the end of fiscal 2018, the Company closed the acquisition of the assets of Ziploop Inc., Ziploop is a machine learning and artificial intelligence-based promotions, loyalty and influencer marketing platform. Ziploop's intelligent learning technology will be added to Snipp's existing receipt processing platform which will improve the Company's analysis of user purchasing behavior and increase the effectiveness of client programs. The combination of Ziploop's platform with Snipp's existing solutions will increase the Company's ability to monetize the data.

In March 2019, the Company announced the launch of the Snipp Mobile Influencer Platform; a self-serve, cost-effective solution for brands to empower their ambassadors to easily send incentive codes to brand influencers. The solution is powered by Ziploop, and is a simple and flexible solution that enables companies to empower brand representatives, social media influencers and consumers by sending them high value incentive codes, product seeding codes, and digital procards. Brands can quickly and easily configure and customize multiple campaigns with unique graphics and terms and allocate, all via the app. The platform allows brands to efficiently manage and track activity by representative and incentive code usage, eliminating misuse and waste of cards. The most unique feature of this platform is the real time and accurate data of representative and customer redemption activity, enabling brands to measure the ROI on their influencer investment.

Based on all the factors listed above, the Company believes the business is in a strong position today and is poised to continue its growth into 2019.

## **Item 5. Operating and Financial Review and Prospects**

### **Overview**

The Company's financial statements are stated in United States Dollars and are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Standards Board (IASB) and by the IFRS Interpretations Committee (IFRIC).

The Company has since inception primarily financed its activities through the issuance of equity. The Company anticipates having to raise additional funds by equity issuance in the next several years, as the Company's operations have not yet generated positive operating cash flow. The timing of such offerings is dependent upon the success of the Company's operations as well as the general economic climate.

## **Results of Operations**

The Company generates its revenues from providing promotions services to its clients, who are primarily advertising agencies, brands and publishers/media. Revenue is derived from the following avenues:

- Campaign Fees: Most clients are charged on a per campaign basis for each campaign they conduct with the Company that utilizes the Company's technology and services.
- License Fees: The Company licenses its promotions platform and related support services to certain clients for use in multiple campaigns. The Company charges a monthly or annual fee for a specified number of campaigns. Alternately, they can commit to a minimum number of campaigns during a specified period for a pre-set fee.
- Project Management Fees: For longer-term projects, the Company typically charges a monthly project management fee that covers the costs of monitoring, hosting and minor changes to the campaign as requested by clients
- Pay-Per-Use Fees: For promotions based on receipt processing, the campaign fee typically includes a specified number of receipts to be processed for the duration of the campaign. Additional receipts over the pre-specified limit are charged as bundles. Occasionally, some clients request only a pay-per-receipt processed fee for their campaigns.
- Reward Acquisition Fees: The Company will often arrange for the rewards to be provided to consumers for promotional campaigns and generates revenues through the sale of these rewards to its clients.

### **Year Ended December 31, 2018 vs. Year Ended December 31, 2017**

Fiscal 2018 marked the Company's initial sales in several new market segments including equine feeds, hospitality, firearms and malls. The Company was EBITDA positive for the second half of Fiscal 2018 in both Q3 2018 and Q4 2018, recognizing EBITDA of \$345,329 over the last six months of fiscal 2018. During the 4<sup>th</sup> quarter, the Company achieved its largest quarter of sales bookings in company history which totaled \$4.4MM. During the year, the Company launched the Cannabis Marketing Resource Center ("CMRC") to introduce the Company's solutions to the regulated cannabis industry in Canada and the United States. The acquisition of Ziploop Inc. was completed during the 4<sup>th</sup> quarter, which brings intelligent learning to the Company's receipt processing platform.

Revenue for the year ended December 31, 2018 was \$12,151,286 compared to revenue of \$12,879,019 for the year ended December 31, 2017. Although this represents a decrease of \$727,733, or 6%, the Company actually recognized a significant improvement in EBITDA due to continued reductions in operating expenses and a focus on higher margin programs.

Expenses for the current year declined to \$15,189,500 from \$17,120,322. Significant changes in expenses occurred in salaries and compensation, which fell to \$7,087,464 from \$9,175,637 which is due to the continuing cost reduction program which focused on the streamlining and strategic integration of the two acquisitions completed in 2015. This plan resulted in a reduction of Snipp's global workforce of up to 20%. The cost reduction program also included further operational cost reductions across all departmental functions which resulted in declines in other expenses. General and administrative costs fell to \$960,488 from \$1,145,136, which represents a decline of \$184,648, or 16%.

Professional fees, which relate to legal and accounting services, declined to \$210,064 from \$265,875. Travel costs, which consists of travel to support operations and evaluating potential business opportunities, increased to \$114,885 from \$86,473. Marketing and investor relations rose to \$298,555 from \$92,138.

Campaign infrastructure costs, which are costs associated with maintaining the Company's short code for mobile messaging services, cellular network usage, costs of rewards, and third party campaign components required to support client services, rose to \$4,240,261 from \$3,808,721 in fiscal 2017. The increase was due to some promotions that outperformed expectations resulting in higher associated reward redemptions. Management believes these higher costs were an aberration and campaign infrastructure costs will return to historical levels in future periods.

Bad debt expense, which represents uncollectable amounts receivable that have been written off, was \$37,194 compared to \$226,085 in fiscal 2017. Amortization of intangibles rose to \$1,952,641 from \$1,714,339 and depreciation of equipment declined to \$30,635 from \$45,825. Stock-based compensation declined 54% to \$257,313 from \$560,093. These amounts represent non-cash vested portions of stock option grants, with much of the decline due to the cancellation of certain previously granted stock options, and fewer new stock options being granted, in 2018. Other non-operating items include interest expense from the working capital line of credit of \$8,236, foreign exchange loss of \$5,649 which is related to transactions in other currencies, and taxes of \$44,070. Cumulative translation adjustment was a loss of \$43,099 compared to a gain of \$139,930 in fiscal 2017 which is related to changes in exchange rates.

Net loss for the year ended December 31, 2018 was \$3,096,169, or \$0.01 per share, compared to a net loss of \$4,443,871, or \$0.03 per share, for the year ended December 31, 2017. Comprehensive loss for the year ended December 31, 2018 was \$3,139,268 compared to a comprehensive loss of \$4,303,941 for the year ended December 31, 2017.

#### Year Ended December 31, 2017 vs. Year Ended December 31, 2016

During the year ended December 31, 2017, the Company launched two key product extensions in Snipp Rebate Center and Data Rewards, and enhanced its loyalty solutions. The integration and cost reduction program initiated in 2016 continued with operational cost reductions to more closely align costs to Snipp's changing produce sales mix, and resulted in over \$2 million in cost savings.

Revenue for the year ended December 31, 2017 was \$12,879,019 compared to revenue of \$11,223,727 for the year ended December 31, 2016. This represents an increase of \$1,655,292, or 15%. Gross Margins improved from 66% in 2016 to 70% in 2017.

Expenses for the year ended December 31, 2017 declined to \$17,120,322 from \$20,276,458. Significant changes in expenses occurred in salaries and compensation, which fell to \$9,175,637 from \$11,448,476 which is due to the continuing cost reduction program which focused on the streamlining and strategic integration of the two acquisitions completed in 2015. This plan resulted in a reduction of Snipp's global workforce of up to 20%.

The cost reduction program also included further operational cost reductions across all departmental functions which resulted in declines in other expenses. General and administrative costs fell to \$1,145,136 from \$1,360,966, which represents a decline of \$115,830, or 16%. Professional fees, which relate to legal and accounting services, declined to \$265,875 from \$415,988. Travel costs, which consists of travel to support operations and evaluating potential business opportunities, fell to \$86,473 from \$304,551. Marketing and investor relations were reduced by 62% to \$92,138 from \$244,119.

Campaign infrastructure costs, which are costs associated with maintaining the Company's short code for mobile messaging services, cellular network usage and third party campaign components required to support client services, was \$3,808,721 compared to \$3,808,736 in fiscal 2016. Bad debt expense, which represents uncollectable amounts receivable that have been written off, was \$226,085 in fiscal 2017 compared to \$51,410 in fiscal 2016. Amortization of intangibles rose to \$1,714,339 from \$1,472,943 and depreciation of equipment declined to \$45,825 from \$51,627. Stock-based compensation declined to \$560,093 from \$1,117,642. These amounts represent non-cash vested portions of stock option grants, with much of the decline due to the cancelation of certain previously granted stock options in 2017 while fiscal 2016 included the non-cash value of acquisition shares issued to certain acquired management personnel corresponding to the Hip Digital acquisition agreement. Other non-operating items include interest expense of \$93,583 which is incurred from the working capital line of credit, foreign exchange loss of \$65,501 which is related to transactions in other currencies, and taxes of \$43,484. Cumulative translation adjustment was a loss of \$139,930 in fiscal 2017 compared to \$365,198 in fiscal 2016 which is related to changes in exchange rates.

Net loss for the year ended December 31, 2017 was \$4,443,871, or \$0.03 per share, compared to a net loss of \$8,572,222, or \$0.07 per share, for the year ended December 31, 2016. Comprehensive loss for the year ended December 31, 2017 was \$4,303,941 compared to a comprehensive loss of \$8,937,920 for the year ended December 31, 2016.

### **Liquidity and Capital Resources**

The Company's working capital position at December 31, 2018 was \$1,189,922 including cash and cash equivalents of \$1,594,429.

During the year ended December 31, 2016, the Company announced that it had secured a four-million-dollar credit facility with Silicon Valley Bank. The credit facility is an accounts receivable line of credit to provide the Company with additional working capital. As at December 31, 2017, the Company had drawn on \$933,159 (2016 - \$2,000,000) of the credit facility. The credit facility had a maturity date of November 22, 2017, which was extended to February 28, 2018. The credit facility is secured by the Company's intellectual property, which consists of all recognized and unrecognized intangible assets. The credit facility bears interest at a range of prime plus 1.25% to 2.5%. During the year ended December 31, 2016, the Company incurred \$5,514 in interest expense and during the year ended December 31, 2017, the Company incurred \$93,583 in interest expense. The Company is required to comply with certain financial covenants on a monthly basis. During the year ended December 31, 2017, the Company had periods where it was not in compliance with all of the covenants. This credit facility was fully repaid subsequent to December 31, 2017, on March 2, 2018.

In May 2018, the Company established a new accounts receivable line of credit of \$2,000,000 with Bridge Bank. The credit facility will provide the Company with additional working capital and is secured by the Company's accounts receivable and intellectual property, consisting of all recognized and unrecognized intangible assets. The credit facility bears interest at prime plus 1.75%. As of December 31, 2018, the Company had not drawn on the new credit facility.

Fiscal 2018 was the first fiscal year in the Company's history that it generated positive cash flows from Operating Activities. For fiscal 2019, the Company estimates it will require cash for operations of \$10,000,000. The majority of these cash needs are expected to come from operating revenues, including the Company's sales backlog of approximately \$8,000,000 and current cash balance of \$1,594,429 as of December 31, 2018. For the remainder of its cash needs, the Company intends to draw from the Bridge Bank credit facility as needed.

The Company has financed its operations through the issuance of common shares. The following sales and issuances of common stock have been completed during the last 5 fiscal years.

Table No. 2  
Common Share Issuances

Fiscal Period	Type of Share Issuance	Number of Common Shares Issued (Cancelled)	Price *	Gross Proceeds or Deemed Value
<b>Fiscal Year 2014</b>	Private Placement	6,350,000	C\$0.10	US\$573,469
	Private Placement	10,400,000	C\$0.15	C\$1,560,000
	Exercise of Stock Options	100,000	C\$0.10	C\$10,000
	Exercise of Warrants	625,000	various	US\$227,628
<b>Fiscal Year 2015</b>	Private Placement	22,322,727	C\$0.55	C\$12,277,500
	Corporate Finance Advisory Fee	661,591	-	-
	Exercise of Stock Options	524,500	various	US\$47,046
	Exercise of Warrants	7,697,800	various	US\$1,191,816
	Hip Digital acquisition shares	3,921,679	C\$0.68	US\$2,174,571
	Hip Digital employee shares	697,780	C\$0.425	US\$224,997
<b>Fiscal Year 2016</b>	Private Placement	22,323,334	C\$0.30	C\$6,697,000
	Exercise of Warrants	158,000	C\$0.15	C\$23,700
	Exercise of Stock Options	100,000	C\$0.185	C\$18,500
	Hip Digital acquisition shares	3,033,813	C\$0.17	US\$393,801
	Hip Digital employee shares	1,167,813	C\$0.21	US\$191,484
<b>Fiscal Year 2017</b>	Private Placement	45,000,000	C\$0.10	US\$3,375,076
	Exercise of Stock Options	200,000	C\$0.10	US\$15,888
<b>Fiscal Year 2018</b>	Private Placements	37,916,667	C\$0.10/0.12	US\$3,018,950
		10,510,562	C\$0.062	US\$500,000

\* The Company's private placements of common share units have been denominated in Canadian dollars. Proceeds from the share issuances are denominated in United States dollars as the Company's functional currency.

### Year Ended December 31, 2018

At the close of the fiscal year ended December 31, 2018, the Company's working capital was \$1,189,922 compared to working capital of \$219,162 as of December 31, 2017.

Operating Activities provided cash of \$314,618, which included the net loss for the year of \$3,096,169. Adjustments for items not involving cash included amortization of intangible assets of \$1,952,641, depreciation of equipment of \$30,635, and stock-based compensation of \$257,313. Changes in non-cash working capital included a decrease in accounts receivable of \$1,436,607, an increase in deposits and prepaid expenses of \$218,726, a decrease in deferred revenue of \$398,121, an increase in accounts payable and accrued liabilities of \$318,166, and an increase in due to related parties of \$32,272.

Investing Activities used cash of \$1,039,720. Additions to equipment used cash of \$7,725, additions to intangible assets used cash of \$1,006,995, and the acquisition of Ziploop used cash of \$25,000.

Financing Activities provided cash of \$1,976,000. Proceeds from the issuance of common shares provided cash of \$3,018,950 and share issuance costs used cash of \$109,791. Repayment of the amounts drawn on the line of credit from Silicon Valley Bank used cash of \$933,159.

The effect of exchange rate changes was a decrease of \$43,099 during the year. Cash and cash equivalents totaled \$1,594,429 as of December 31, 2018 compared to cash of \$386,630 as of December 31, 2017, an increase of \$1,207,799.

During the year, the Company issued a total of 48,427,229 common shares consisting of the following:

- 37,916,667 common shares were issued pursuant to a non-brokered private placement in five tranches. 35,000,000 common shares were issued at a price of C\$0.10 per share for gross proceeds of \$3,500,000, and 2,916,667 common shares were issued in an over-allotment to the fifth tranche at a price of C\$0.12 per share for gross proceeds of \$277,480.
- 10,510,562 common shares were issued at a deemed price of \$0.062 per common share pursuant to the acquisition of Ziploop at a cost of \$500,000.

#### Year Ended December 31, 2017

At the close of the fiscal year ended December 31, 2017, the Company's working capital was \$219,162 compared to working capital of \$189,721 as of December 31, 2016.

Operating Activities used cash of \$3,075,203, which included the net loss for the year of \$4,443,871. Adjustments for items not involving cash included amortization of intangibles of \$1,714,339, depreciation of equipment of \$45,825, and stock-based compensation of \$560,093. Changes in non-cash working capital included a decrease in accounts receivable of \$427,110, an increase in deposits and prepaid expenses of \$211,559, a decrease in deferred revenue of \$1,001,741, a decrease in accounts payable and accrued liabilities of \$133,761, and a decrease in due to related parties of \$31,638.

Investing Activities used cash of \$1,357,912. Additions to equipment used cash of \$6,315, and additions to intangible assets used cash of \$1,351,597.

Financing Activities provided cash of \$2,304,196. Proceeds from the issuance of common shares provided cash of \$3,375,076, share issuance costs used cash of \$19,927, and proceeds from options exercised provided cash of \$15,888. Repayment of the amounts drawn on the line of credit from Silicon Valley Bank used cash of \$1,066,841.

The effect of exchange rate changes was an increase of \$139,930 during the year. Cash and cash equivalents totaled \$386,630 as of December 31, 2017 compared to cash of \$2,375,619 as of December 31, 2016, a decrease of \$1,988,989.

During the year, the Company issued a total of 45,200,000 common shares consisting of the following:

- 45,000,000 common shares were issued pursuant to a non-brokered private placement financing at a price of C\$0.10 per share in three tranches for gross proceeds of \$3,375,076 (C\$4,500,000).
- 200,000 common shares were issued pursuant to the exercise of stock options for proceeds of \$15,888.

## Year Ended December 31, 2016

At the close of the fiscal year ended December 31, 2016, the Company's working capital was \$189,721 compared to working capital of \$3,500,888 as of December 31, 2015.

Operating Activities used cash of \$6,774,050, which included the net loss for the year of \$8,572,722. Adjustments for items not involving cash included amortization of intangibles of \$1,472,943, depreciation of equipment of \$51,627, stock-based compensation of \$1,117,642, a change in fair value of derivative liability related to the value of stock purchase warrants of (\$31,834), and change in fair value of acquisition consideration payable in equity related to the acquisition of Hip Digital of (\$537,381).

Changes in non-cash working capital included an increase in accounts receivable of \$1,300,575, a decrease in deposits and prepaid expenses of \$30,275, an increase in deferred revenue of \$1,069,857, an increase in accounts payable and accrued liabilities of \$406,563, and a decrease in due to related parties of \$480,445.

Investing Activities used cash of \$2,537,234. Additions to equipment used cash of \$35,507, additions to intangible assets used cash of \$1,639,771, and amounts due to Swiss Post declined by \$861,956.

Financing Activities provided cash of \$7,234,442. Proceeds from the issuance of common shares provided cash of \$5,275,554, share issuance costs used cash of \$72,980, proceeds from warrants exercised provided cash of \$17,268, and proceeds from options exercised provided cash of \$14,600. Proceeds from the \$4 million line of credit from Silicon Valley Bank provided cash of \$2,000,000.

The effect of exchange rate changes was a decrease of \$244,156 during the year. Cash and cash equivalents totaled \$2,375,619 as of December 31, 2016 compared to cash of \$4,696,617 as of December 31, 2015, a decrease of \$2,320,998.

During the year, the Company issued a total of 26,782,960 common shares consisting of the following:

- 22,323,334 common shares were issued pursuant to a non-brokered private placement financing at a price of C\$0.30 per share in three tranches for gross proceeds of \$5,275,554 (C\$6,697,000).
- 3,033,813 common shares were issued for the acquisition of Hip Digital at a deemed value of \$393,801;
- 1,167,813 common shares were issued to Hip Digital employees at a deemed value of \$191,484;
- 158,000 common shares were issued pursuant to the exercise of stock purchase warrants for proceeds of \$40,989;
- 100,000 common shares were issued pursuant to the exercise of stock options for proceeds of \$14,600.

### **Significant Accounting Policies**

Management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On a regular basis, management evaluates its estimates and assumptions. The estimates are based on historical experience, past results, and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form that basis for making judgments about the carrying values of assets, including mineral properties, and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates due to events or circumstances which may be beyond the control of the Company.

The financial statements have been prepared in accordance with International Accounting Standard (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **Basis of consolidation**

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

### **Equipment**

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

Office equipment	3-5 years	Straight-line
Computer equipment	3-5 years	Straight-line

### **Intangible assets**

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

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

### **Software platform**

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

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

#### Acquired customer relationships

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

#### Acquired music label contracts

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

#### Critical judgement and accounting estimates

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

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

- ii) The inputs used in accounting for share-based payments expense included in profit and loss calculated using the Black-Scholes option pricing model
- iii) The carrying value of intangible assets (capitalized software development, customer relationships, intellectual property and music label contracts) that are included in the consolidated statements of financial position are based on management assessments of the recoverable amount of the asset. As well, management estimates on the capitalized costs that are directly attributable to the development of the intangible asset
- 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 8, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model as disclosed in Note 8.
- v) The carrying value of goodwill and intangibles acquired from acquisitions and estimates on any assumptions underlying the analysis of impairment.
- vi) The purchase price allocation corresponding to completed acquisitions and the related contingent considerations

#### **Revenue from contracts with customers**

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

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

#### **Arrangements with multiple deliverables**

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

## **Business combinations**

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

## **Income taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss. 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.

## **Foreign currencies**

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

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

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

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

## Financial instruments

The Company adopted IFRS 9 on January 1, 2018. IFRS 9 set out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 largely retained the existing requirements in IAS 39 for the classification and measurement of financial liabilities and the adoption of IFRS 9 has not had a significant effect on our accounting policies related to financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required, but there was no requirement to restate comparative periods disclosed.

### (a) Classification

The following summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

Measurement Categories		
Financial instruments:	IAS 39	IAS 9
Cash	FVTPL	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Deposits and prepaid assets	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Working capital line of credit	Other financial liabilities	Amortized cost

The Company determined the modifications made did not result in a material difference under the new classification of IFRS 9.

## (b) Measurement

### Financial assets

#### Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income.

#### Financial assets at amortized cost

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

#### Financial assets at FVTPL

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

### Financial liabilities

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

Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, where appropriate, a shorter period. The Company's trade and other payables, dues to related parties, and working capital line of credit are classified as amortized cost.

## (c) Impairment of financial assets at amortized cost

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

The adoption of the expected credit loss impairment model under IFRS 9 had no material impact on the carrying amounts of our financial assets on the transition date given the financial assets measured at amortized cost are composed of cash and accounts receivable and no impairment has been recognized at the report date.

## **Impairment**

### Financial assets

Under IFRS 9, 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 definite-life non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment 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.

## **Impairment**

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

## **Loss per share**

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

## **Share-based payments**

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

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

## **Adoption of accounting standards**

Effective January 1, 2018, the Company adopted IFRS 9 which 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. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improves guidance for multiple-element arrangements. Adoption of this standard did not have a material effect on the Company's consolidated financial statements and related disclosures.

## **Recent accounting pronouncements**

IFRS 16, “Leases”, will be effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on balance sheet for lessees. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2019 and has determined there will be no material impact on the consolidated financial statements upon adoption of IFRS 16.

## **Research and Development**

The Company performs Research and Development in relation to its technology products. During the last 3 fiscal years, the Company capitalized \$1,006,995, \$1,351,597, and \$1,639,771 corresponding to internal development of its software platform.

The Company protects its Intellectual Property through trade secrets and copyrights, and currently has one patent. US Patent No. 6,157,814 was assigned to the Company by Google in March 2016 as the Company joined Google's Patent Starter Program. This patent relates to an improved, non-intrusive method for advertising to wireless subscribers and was first issued on December 5, 2000.

## **Trend Information**

The Company knows of no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's operations or financial condition.

## **Off-Balance Sheet Arrangements**

The Company has no other Off-Balance Sheet Arrangements.

## **Tabular Disclosure of Contractual Obligations**

Table No. 3  
Contractual Obligations  
As of December 31, 2018

	Payments due by period				
	Total	less than 1 year	1 – 3 years	3 – 5 Years	more than 5 years
Long-Term Debt Obligations	None	None	None	None	None
Capital Lease Obligations	None	None	None	None	None
Operating Lease Obligations *	\$168,522	\$137,620	\$30,902	None	None
Purchase Obligations	None	None	None	None	None
Other Long-Term Liabilities	None	None	None	None	None

\* The Operating Lease Obligations are for office leases in the US, Canada, India, Ireland and Switzerland. The US dollar equivalent has been calculated based on the closing New York Federal Reserve exchange rate of C\$1.3644/US Dollar, 69.6 Indian Rupee/US Dollar, and 1.15 Euros/US Dollar on December 31, 2018.

## **Safe Harbor**

Not Applicable

## Item 6. Directors, Senior Management and Employees

Table No. 4 lists as of April 23, 2019 the names of the Directors of the Company. The Directors have served in their respective capacities since their election and/or appointment and will serve until the next Annual General Meeting or until a successor is duly elected, unless the office is vacated in accordance with the Articles/By-Laws of the Company. Atul Sabharwal and Thomas Burgess are residents of the United States, Sarfaraz Haji is a resident of Canada. Each director was elected at the Annual General and Special Meeting held on October 26, 2018.

Table No. 4  
Directors

<u>Name</u>	<u>Age</u>	<u>Date First Elected/Appointed</u>
Atul Sabharwal (1)	42	March 1, 2012
Sarfaraz Haji (1) (2)	64	November 1, 2017
Michael Burgess (1) (2)	54	October 26, 2018

(1) Member of Audit & Risk Committee.

(2) Member of Compensation & Governance Committee.

Table No. 5 lists, as of April 23, 2019, the names of the Executive Officers of the Company. The Executive Officers serve at the pleasure of the Board of Directors. All Executive Officers are residents of the United States with the exception of Jaisun Garcha, who is a resident of Canada.

Table No. 5  
Executive Officers

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of Appointment</u>
Atul Sabharwal	Chief Executive Officer	42	March 1, 2012
Megan Prikhodko	Chief Operating Officer	31	November 1, 2017
Jaisun Garcha	Chief Financial Officer	38	February 3, 2013
Rahoul Roy	Chief Legal Officer and Executive Vice President	43	October 19, 2015

**Atul Sabharwal** serves as Chief Executive Officer and a Director. He was one of the founders of Snipp and has over 19 years' experience in the telecommunications and digital media/mobile space industry. From 2006 to 2012, he served as the Executive Director of the ACME Group, a large telecommunications and energy infrastructure company with interests in South Asia and Africa. Between 2009 and 2011 he served as a board member of eSolar Inc., a Pasadena, CA-based company that is backed by Idealab, Google.org, General Electric Inc., Oak Investment Partners and the Quercus Trust. Mr. Sabharwal stepped down as a director after a successful investment by General Electric Inc. in the company. Mr. Sabharwal also is the founder of the Finalysis Group, a consulting company focused on helping growth businesses with a South Asian component. Between 2005 and 2007 he founded and ran a successful venture that provided remote services such as call center management and lead generation to corporate clients. His earlier roles also include positions at AOL, IBM Business Services (previously PWC Consulting), the Boston Consulting Group and Star TV, a subsidiary of News Corporation. Mr. Sabharwal has a Bachelor of Science degree in Economics (Hons. First Class) from St. Xavier's College, Calcutta, India and a Master of Business Administration degree from the Australian Graduate School of Management, Sydney, Australia and the Wharton School, University of Pennsylvania. Mr. Sabharwal spends 100% of his time on the Company's affairs.

**Megan Prikhodko** has served as Chief Operating Officer since her appointment in November 2017. She joined Snipp in May 2015 with over 10 years of software development and management experience. Prior to her appointment as Chief Operating Officer, she was Snipp's Executive Vice President of Operations, responsible for the successful execution of all programs and the ongoing management of Consumer Support. In her role, she has supported major clients such as Kellogg's, L'Oreal, and P&G. Prior to Snipp, Mrs. Prikhodko was an executive at Precision Computer Works, Inc. where she helped to build and launch complex peer-review systems in the scholarly publishing industry. She worked with prestigious societies such as the American Heart Association, American Medical Association, and the National Academies of Science. Mrs. Prikhodko holds an MBA from Johns Hopkins University. Ms. Prikhodko spends 100% of her time on Company affairs.

**Jaisun Garcha** serves as Snipp's Chief Financial Officer. He has over 14 years of experience in the financial accounting industry and is experienced in managing all aspects of public company financial and management reporting, forecasting and analysis, corporate governance and risk management. He holds an MBA from Laurentian University and a Bachelor of Science degree, with a double major in computer science and general biology, as well as a Diploma in Accounting from the University of British Columbia. He is a Chartered Professional Accountant (CPA, CGA) and is a member of the Chartered Professional Accountants of British Columbia. Mr. Garcha spends 60% of his time on the Company's affairs.

**Rahoul Roy** serves as Chief Legal Officer and Executive Vice President, Corporate Development. He has over 16 years of experience practicing law in both the United States and India, and, prior to joining the Company, was running his own corporate law practice in New York with an international clientele of serial entrepreneurs and multinational corporations. Being dually qualified in both jurisdictions, he advised and assisted clients on various commercial transactions, including venture capital and private equity investments; mergers and acquisitions; the licensing, developing and procuring of technology and content; joint ventures and other strategic alliances; and domestic and international outsourcing arrangements. Before establishing his own practice, Rahoul was a Special Counsel to Brown Rudnick LLP, where he chaired the firm's India Practice, and a Partner of Poovayya & Co., an Indian law firm. Rahoul obtained his BA. LLB., (Hons) from the National Law School of India, and his LL.M., with Distinction, from the Georgetown University Law Center where he was also on the Dean's List and an International Institute of Economic Law Fellow. Mr. Roy spends 100% of his time on the Company's affairs.

**Sarfarz Haji** serves as a Director of the Company. Mr. Haji holds an undergraduate degree from the University of Southern California, Los Angeles, and is a qualified CPA, CA. He managed audits of both public and private companies while working for Clarkson Gordon and Company (now Ernst & Young) in Toronto. Mr. Haji went to Pakistan and started three successful businesses before returning to Canada in 2009. On his return to Canada he provided consulting services to Par Pak Ltd, Brampton a plastic packaging manufacturing company, assisting them in their sale transaction with The Waddington Group (TWG). He was appointed as Divisional Controller of Polar Pak by TWG after the acquisition. Currently Mr. Haji is the CFO at Lark Investments Inc., assisting them in investment due diligence and analysis, and is Lark Investment's nominee to the Company's Board of Directors. He spends 10% of his time on the Company's affairs.

**Thomas Burgess** serves as a Director of the Company. He holds a Bachelor of Arts from Providence College. Mr. Burgess is a seasoned executive in online and wireless interactive advertising, and digital media technology. As a serial entrepreneur and innovator, he has been granted multiple patents for his pioneering work in the wireless, mar-tech and loyalty industries. Mr. Burgess is a consistent speaker at global marketing conferences and has been quoted or featured in Forbes, New York Times, Wall Street Journal, Boston Globe, CNBC and many industry publications. He founded Linkable Networks, a payments loyalty company in 2010 and was CEO until its sale to Collinson Group in September 2017. In 2001 Mr. Burgess founded Third Screen Media, a wireless advertising company that was purchased by AOL/TW in 2007. Prior to Third Screen Media, he founded two other successful digital media companies. In 2007 Mr. Burgess was inducted into the Entrepreneur Hall of Fame for superior performance by a group of investors. Mr. Burgess is an active Board Member and advisor to early stage ventures with a focus on corporate development, Board governance and investor relations. He spends 10% of his time on the Company's affairs.

No Director and/or Executive Officer has been the subject of any order, judgment, or decree of any governmental agency or administrator or of any court or competent jurisdiction, revoking or suspending for cause any license, permit or other authority of such person or of any corporation of which he or she is a Director and/or Executive Officer, to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining or enjoining any such person or any corporation of which he or she is an officer or director from engaging in or continuing any conduct, practice, or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanor involving a security or any aspect of the securities business or of theft or of any felony.

There are no arrangements or understandings between any two or more Directors or Executive Officers, pursuant to which he or she was selected as a Director or Executive Officer.

## **COMPENSATION**

Beginning in fiscal 2015, the Company began compensating directors with cash compensation for their services in their capacity as directors, or for committee participation. There are no specific terms for payment for services, as cash payments are determined by the Compensation and Governance Committee each quarter based upon the amount of work performed by the individual directors. There are no director's service contracts providing for benefits upon termination of their position as a Director.

To assist the Company in compensating, attracting, retaining and motivating personnel, including Directors, the Company grants incentive stock options under a formal Stock Option Plan which was first approved by shareholders at the Annual General and Special Meeting of shareholders held on October 5, 2012. An updated Stock Option Plan was approved by a vote of the shareholders at the Annual and Special Meeting of Shareholders held on June 1, 2015, and subsequently reapproved by a vote of the shareholders at the Annual and Special Meeting of Shareholders held on October 26, 2018.

Table No. 6 sets forth the compensation paid to the Company's executive officers and members of its administrative body during the last three fiscal years.

Table No. 6  
Summary Compensation Table

Name	Fiscal Year	Salary	Options Granted	Other Compensation	Total Compensation
<b>Atul Sabharwal</b> Chief Executive Officer and Director (1)	2018	\$ 262,500	1,422,000	\$ 50,744	\$ 313,244
	2017	214,583	470,000	1,836	216,419
	2016	279,167	500,000	2,737	281,904
<b>Megan Prikhodko</b> Chief Operating Officer (2)	2018	\$ 225,000	Nil	\$ 21,684	\$ 246,684
	2017	164,391	619,000	21,986	186,377
<b>Jaisun Garcha</b> Chief Financial Officer (3)	2018	\$ N/A	Nil	\$ 99,000	\$ 99,000
	2017	N/A	82,000	132,000	132,000
	2016	N/A	100,000	165,000	165,000
<b>Rahoul Roy</b> Chief Legal Officer (4)	2018	\$ 210,000	182,000	\$ 16,470	\$ 226,470
	2017	210,000	98,000	21,186	231,186
	2016	210,000	100,000	19,713	229,713
<b>Sarfraz Haji</b> Director (5)	2018	\$ N/A	250,000	\$ 12,700	\$ 12,700
	2017	N/A	-	2,700	2,700
<b>Tom Burgess</b> Director	2018	\$ N/A	250,000	\$ Nil	\$ Nil
<b>Ritesh Bhavnani</b> Former President, CTO and Director (6)	2018	\$ 61,776	1,422,000	\$ 40,257	\$ 102,033
	2017	214,583	470,000	25,299	239,882
	2016	279,167	500,000	31,878	311,045
<b>Michael Cannata</b> Director (7)	2018	\$ N/A	-	\$ 18,090	\$ 18,090
	2017	N/A	100,000	31,966	31,966
	2016	N/A	-	29,375	29,375
<b>Michael Dillon</b> Director (8)	2018	\$ N/A	-	\$ 15,640	\$ 15,640
	2017	N/A	100,000	19,300	19,300
	2016	N/A	-	112,250	112,250
<b>Ram Ramkumar</b> Director (9)	2018	\$ N/A	-	\$ 21,090	\$ 21,090
	2017	N/A	100,000	41,102	41,102
	2016	N/A	-	35,000	35,000
<b>Baris Karodogan</b> Former Chief Operating Officer (10)	2016	\$ 161,960	100,000	\$ 104,420	\$ 285,968
<b>Frank Sweeney</b> Former Chief Technology Officer (11)	2016	\$ 83,817	200,000	\$ 8,610	\$ 92,427
<b>Wilson (Andy) Bell</b> Former Executive Vice President (12)	2016	\$ 81,250	100,000	\$ 4,834	\$ 86,084
<b>John Fuller</b> Former Executive Vice President (13)	2017	\$ 154,808	69,000	\$ 13,513	\$ 168,321
	2016	140,000	100,000	13,739	153,739

Name	Fiscal Year	Salary	Options Granted	Other Compensation	Total Compensation
<b>Robert Rathke</b> Former Executive Vice President (14)	2017	\$ 87,135	250,000	\$ 2,334	\$ 89,469
<b>David Hargreaves</b> Former Chief Client Officer (15)	2017	\$ 57,500	-	\$ 153	\$ 57,653
	2016	230,000	200,000	495	230,495
<b>Susan Doniz</b> Former Director (16)	2017	\$ N/A	-	\$ Nil	\$ Nil
	2016	N/A	200,000	21,750	21,750
<b>Conrad Swanson,</b> Former Director (17)	2016	N/A	-	\$ 27,875	\$ 27,875

- (1) "Other Compensation" for Atul Sabharwal including \$50,000 (2017 - \$Nil; 2016 - \$Nil) as an annual bonus, and \$744 (2017 - \$1,836; 2016 - \$2,737) for medical insurance.
- (2) "Other Compensation" for Megan Prikhodko includes \$21,684 (2017 - \$21,986) for medical insurance
- (3) "Other Compensation" for Jaisun Garcha include \$99,000 (2017 - \$132,000; 2016 - \$165,000) for consulting fees for his services as CFO. These amounts were paid to 681315 B.C., a private company owned by Jaisun Garcha.
- (4) "Other Compensation" for Rahoul Roy includes \$16,470 (2017 - \$21,186; 2016 - \$19,713) for medical insurance.
- (5) "Other Compensation" for Safaraz Haji includes directors' fees of \$12,700 (2017 - \$2,700).
- (6) "Other Compensation" for Ritesh Bhavnani includes \$20,000 (2017 - \$Nil; 2016 - \$Nil) for consulting, \$1,133 (2017 - \$5,896; 2016 - \$13,866) for medical insurance, and \$19,124 (2017 - \$19,403 2016 - \$18,012) for lease payments for the Company's India office.
- (7) "Other Compensation" for Michael Cannata includes directors' fees of \$18,090 (2017 - \$31,966; 2016 - \$29,375).
- (8) "Other Compensation" for Michael Dillon includes \$15,640 (2017 - \$19,300; 2016 - \$23,000) for directors' fees and \$Nil (2017 - \$Nil; 2016 - \$89,250) for consulting fees for services provided in addition to his service as a director.
- (9) "Other Compensation" for Ram Ramkumar includes directors' fees of \$21,090 (2017 - \$41,102; 2016 - \$35,000)
- (10) "Other Compensation" for Baris Karodogan includes \$2,719 for medical insurance. It also includes \$101,701 which is the value of Snipp common shares received pursuant to the acquisition of Hip Digital.
- (11) "Other Compensation" for Frank Sweeney is \$8,610 for medical insurance.
- (12) "Other Compensation" for Wilson Bell includes \$4,834 for medical insurance.
- (13) "Other Compensation" for John Fauller includes \$13,513 (2016 - \$13,739) for medical insurance.
- (14) "Other Compensation" for Robert Rathke is \$2,334 for medical insurance.
- (15) "Other Compensation" for David Hargreaves includes \$153 (2016 - \$495) for medical insurance.
- (16) "Other Compensation" for Susan Doniz includes directors' fees of \$21,750.
- (17) "Other Compensation" for Conrad Swanson includes directors' fees of \$27,875.

No funds were set aside or accrued by the Company during Fiscal 2018 to provide pension, retirement or similar benefits for Directors or Executive Officers.

## Written Management Agreements

As of April 23, 2019, the Company has written agreements in effect with two of its executive officers.

### Atul Sabharwal

Under an Employment Agreement between the Company and Atul Sabharwal dated June 1, 2015, Atul Sabharwal (the “Executive”) agrees to serve as Chief Executive Officer for an annual base salary of \$200,000. In addition, he is eligible to receive an annual bonus of up to 100% of his base salary as determined by the Compensation and Governance Committee. The Compensation and Governance Committee will also review the base salary on an annual basis and may increase the annual base salary upon such review. The review will not decrease the base salary unless the decrease is applicable to substantially all senior executives but totaling no more than 20% in the aggregate. Employment is “at will” and may be terminated by either party, and the executive will not be entitled to receive any additional compensation or benefits other than what has accrued and is unpaid except in the case of a change of control. Upon a change in control, if the Executive is terminated by the Company for reasons other than for cause, disability or the Executive’s death, or if the Executive terminates his employment for good reason, the Executive shall receive a payment equal to 1 times his annual base salary if he approved of the change of control, or if he officially objected to the change of control, he will receive a payment equal to 2 times his base salary. He will also receive a payment equal to his incentive bonus in effect immediately prior to the change of control date. The agreement remains in effect until terminated by either party in accordance with the provisions of the agreement.

### Rahoul Roy

Under an employment agreement between the Company and Rahoul Roy (the “Executive”) dated October 19, 2015, the Executive agrees to serve as Chief Legal Officer and Executive Vice President Corporate Development at a starting base salary of \$200,000 per year. The Compensation & Governance Committee will review the base salary on an annual basis and may increase the annual base salary upon such review. The review will not decrease the base salary unless the decrease is applicable to substantially all senior executives but totaling no more than 20% in the aggregate. The Executive is also eligible to receive a cash bonus as determined by the Compensation & Governance Committee. Employment is “at will” and can be terminated by either the Executive or Company at any time and for any reason, with or without cause, by providing at least 4 weeks prior written notice.

## **Board Practices**

The Board of Directors’ mandate is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company. The Company’s corporate governance practices are the responsibility of the Board.

Management has been delegated the responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying out the Company's business in the ordinary course, evaluating business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board facilitates its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, all debt and equity financing transactions. Through its Audit & Risk Committee, the Board examines the effectiveness of the Company's internal control processes. The Board reviews and sets executive compensation and recommends incentive stock options.

The Board of Directors currently consists of three directors: Atul Sabharwal (CEO), Sarfaraz Haji, and Tom Burgess. Currently, two of the Company's directors are classified as "Independent". Sabharwal is a Company employee, and Haji and Burgess are independent. The Compensation & Governance Committee has determined that the current size and constitution of the Board is appropriate for the Corporation's current stage of development.

The Board meets for formal board meetings periodically on an ad hoc basis during the year to review and discuss the Corporation's business activities and to consider and, if thought fit, to approve matters presented to the Board for approval, and to provide guidance to management. In addition, management informally provides updates to the Board at least once per quarter between formal Board meetings. In general, management consults with the Board when deemed appropriate to keep the Board informed regarding the Corporation's affairs.

The Board facilitates the exercise of independent supervision over management through these various meetings.

At present, the Board has two formal committees of the Audit & Risk Committee and Compensation & Governance Committee. The composition of the Board is such that the independent directors have significant experience in business affairs and, as a result, are able to provide significant and valuable independent supervision over management.

In the event of a conflict of interest at a meeting of the Board, the conflicted director will in accordance with corporate law and in accordance with his fiduciary obligations as a director of the Corporation, disclose the nature and extent of his interest to the meeting and abstain from voting on or against the approval of such participation.

#### ***Nomination of Directors***

Once a decision has been made to add or replace a director, the task of identifying new candidates falls on the Board of Directors. Proposals are put forth by the Board and management and considered and discussed. If a candidate looks promising, the Board and management will conduct due diligence on the candidate and if the results are satisfactory, the candidate is invited to join the Board.

#### ***Compensation***

Compensation matters are delegated by the Board to the Compensation & Governance Committee. The Corporation may grant stock options to directors of the Corporation in consideration for their services provided to the Corporation.

#### ***Assessment of Effectiveness***

At present, the Board does not have a formal process for assessing the effectiveness of the Board, its committees and individual directors. These matters are dealt with on a case by case basis at the Board level.

#### **Audit Committee**

The Company's Audit & Risk Committee operates under a written charter which is reviewed by the Board of Directors on an annual basis. A copy of the current Audit & Risk Committee Charter was included in the Company's Management Information Circular dated April 27, 2015 which has been filed as an exhibit to the Company's Form 6-K filed on May 11, 2015.

The Audit & Risk Committee's primary functions are to assist the Board of Directors (the "Board") in fulfilling its financial oversight responsibilities with respect to financial reporting and disclosure requirements; ensure that an effective risk management and financial control framework has been implemented by management of the Company; and be responsible for external and internal audit processes.

#### *Composition*

The Audit & Risk Committee shall be composed of a minimum of three members of the Board of Directors, a majority of which are considered to be "independent". All members of the Audit & Risk Committee shall be generally knowledgeable in financial and auditing matters, especially possessing the ability to read and understand fundamental financial statements. The Board shall appoint one member of the Committee as chair.

#### *Role*

The Committee shall meet at least four times annually. The Committee assists the Board with its responsibilities relating to the accounting principles, reporting practices, internal controls, and approval of the Company's annual and quarterly financial statements and related disclosures. The Committee must establish and maintain a direct line of communication with the Company's internal and external auditors and assess their performance. It also ensures that management has designed, implemented and is maintaining an effective system of financial controls and report regulatory to the Board on the fulfillment of its duties and responsibilities. The auditors may communicate directly with the Committee and bypass management. The Committee may contact directly any employee, and any employee may bring to the Committee any matters involving questionable, illegal or improper financial practices or transactions.

The Committee has been delegated the authority to appoint, retain and oversee the work of the independent auditor and establishing the compensation to be paid to the independent auditor. It must also review the internal audit function and their effectiveness and reviews the appropriateness and effectiveness of the Company's internal controls and management reporting. The Company's regulatory filings are reviewed by the Committee and reviews the policies and procedures used in the preparation of the consolidated financial statements and other disclosure documents.

#### *Members*

The current Audit & Risk Committee members are Atul Sabharwal, Sarfaraz Haji, and Tom Burgess. Mr. Haji and Mr. Burgess are considered to be "independent". Each member is financially literate. The Committee met 4 times in 2018.

### **Compensation & Governance Committee**

The Board has a Compensation & Governance Committee which is tasked with reviewing the compensation and establishing compensation policies for the Company's executives. The Committee also designs compensation packages to attract, retain and motivate quality employees while not exceeding market rates. The recommendations committee are reached primarily by comparing the remuneration paid by the Company with publically available information on remuneration paid by other reporting issuers that the Compensation & Governance Committee feels are comparable issuers within the same business of the Corporation.

The Compensation & Governance Committee operates under a written charter which was adopted on May 1, 2017. The size of the Committee will be set the Board of Directors, but must always consist of at least 2 directors, the majority of which will be independent. The Board shall appoint one member of the Committee as chair.

The current Compensation & Governance Committee members are Sarfaraz Haji and Tom Burgess, both of which are considered to be “independent”. All members of the Compensation & Governance Committee are experienced in the oversight of executive and operational management teams as a result of their experience with various private and public sector businesses. The Committee met 3 times in 2018.

## Staffing

As of April 23, 2019, the Company has 73 employees and 4 executive officers (April 18, 2018 – 90 employees and 5 executive officers; April 28, 2017 – 109 employees and 5 executive officers).

These employees include 36 in Engineering (1 in the United States, 17 in Canada, 7 in India, and 11 in Ireland); 1 in Marketing (1 in India); 17 in Operations (6 in the United States, 6 in Canada, and 3 in India); 12 in Sales (3 in the United States, and 9 in Canada), and 7 in finance and administration (6 in India and 1 in Switzerland). The Company also engages consultants on an as needed basis.

The Company currently has offices in Toronto, Burnaby, British Columbia, New York, Cork, Ireland, Zurich, Switzerland, and Mumbai, India.

## Share Ownership

The Registrant is a publicly owned Canadian corporation, the shares of which are owned by U.S. residents, Canadian residents and other foreign residents. The Registrant is not controlled by another corporation as described below.

Table No. 7 lists, as of April 23, 2019, Directors and Executive Officers who beneficially own the Registrant's voting securities and the amount of the Registrant's voting securities owned by the Directors and Executive Officers as a group.

Table No. 7  
Shareholdings of Directors and Executive Officers

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common	Atul Sabharwal (1)	8,167,098	3.60%
Common	Megan Prikhodko (2)	577,809	0.25%
Common	Jaisun Garcha (3)	4,213,333	1.86%
Common	Rahoul Roy (4)	1,919,782	0.85%
Common	Sarfaraz Haji (5)	122,000	0.05%
Common	Tim Burgess (6)	Nil	0.00%
<b>Total Directors/Officers</b>		<b>15,000,022</b>	<b>6.57%</b>

- (1) Of these shares, 906,667 represent exercisable stock options. An additional 1,735,333 stock options have been granted but have not yet vested.
- (2) Of these shares, 470,667 represent exercisable stock options. An additional 333,333 stock options have been granted but have not yet vested.
- (3) Of these shares, 252,333 represent exercisable stock options. An additional 54,667 options have been granted but have not yet vested. 2,350,000 of the common shares are owned by 681315 B.C., a private company owned by Jaisun Garcha, and 1,611,000 common shares are held directly.

- (4) Of these shares, 532,667 represent exercisable stock options. An additional 247,333 options have been granted but have not yet vested.
- (5) Mr. Haji has been granted 250,000 stock options which have not yet vested.
- (6) Mr. Burgess has been granted 250,000 stock options which have not yet vested.

Based upon 226,163,904 common shares outstanding as of April 23, 2019, share purchase warrants and stock options held by each beneficial holder exercisable within sixty days as detailed in Table No. 11, “Stock Options Outstanding” below.

**Item 7. Major Shareholders and Related Party Transactions**

The Registrant is a publicly owned Canadian corporation, the shares of which are owned by U.S. residents, Canadian residents and other foreign residents. The Registrant is not controlled by another corporation as described below. The Company's common shares are issued in registered form and the following information is taken from the records of Computershare Investor Services, 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9

On April 23, 2019, the shareholders' list for the Company's common shares showed 67 registered shareholders, including depositories, and 226,163,904 common shares issued and outstanding. Of the total registered non-depository shareholders, 24 are resident in Canada holding 209,913,110 common shares, or 93% of the total issued and outstanding; 35 are resident in the United States holding 14,240,189 common shares, or 6% of the total issued and outstanding; and 8 are resident in other countries holding 2,010,605 common shares, or 1% of the total issued and outstanding.

The Company is aware of one person/company who beneficially own 5% or more of the Registrant's voting securities. Table No. 8 lists as of April 23, 2019, persons and/or companies holding 5% or more beneficial interest in the Company's outstanding common stock

Table No. 8  
5% or Greater Shareholders

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common	Sajjad Ebrahim (1)	53,152,060	23.50%

(1) 49,752,060 of these shares are common shares held by Lark Investments Inc., a private investment company for which Mr. Ebrahim serves as an officer. 2,946,410 are common shares owned by Mr. Ebrahim directly and, 453,590 are held in RRSP's for which Mr. Ebrahim has voting control. The Company has granted Lark participation rights in future Company financings and the right to nominate one person to serve as a member of the Company's Board of Directors.

Based upon 226,163,904 common shares outstanding as of April 23, 2019, and any share purchase warrants and stock options held by each beneficial holder exercisable within sixty days as detailed in Table No. 11, “Stock Options Outstanding” below.

No shareholders of the Company have different voting rights from any other shareholder.

## **RELATED PARTY TRANSACTIONS**

The Company is currently leasing office space in Mumbai, India from Ritesh Bhavnani, a former officer and director of the Company. Lease payments for the space were \$19,124 in 2018, \$19,403 in 2017, and \$18,012 in 2016. The remaining contractual amounts due under the lease are \$14,285 for 2019 and \$4,762 for 2020.

As of December 31, 2018, the Company owed a total of \$77,244 (2017 - \$44,972; 2016 - \$76,610) to Officers and Directors which represent unpaid salaries and compensation and unpaid expenses. The amounts are non-interest bearing, unsecured, and have no specified terms of repayment.

### **Item 8. Financial Information**

The financial statements as required under ITEM #18 are attached hereto and found immediately following the text of this Annual Report. The audit report of MNP LLP, Chartered Professional Accountants, is included herein immediately preceding the financial statements and schedules.

### **Current Legal Proceedings**

The Company knows of no material, active or pending, legal proceedings against them; nor is the Company involved as a plaintiff in any other material proceeding or pending litigation. The Company knows of no other active or pending proceedings against anyone that might materially adversely affect an interest of the Company.

### **Dividends**

The Company has not declared any dividends on its common shares since inception and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain future earnings, if any, for use in its operations and the expansion of its business.

### **Item 9. Offer and Listing of Securities**

As of December 31, 2018, the end of the Company's most recent fiscal year, the authorized capital of the Company consisted of an unlimited number of Common Shares without par value, and an unlimited number of Preferred Shares without par value. There were 226,163,904 Common Shares and no Preferred Shares issued and outstanding as of December 31, 2018 and April 23, 2019.

## **NATURE OF TRADING MARKET**

The Company's common shares trade on the TSX Venture Exchange in Vancouver, British Columbia, Canada under the stock symbol is "SPN". The CUSIP number is 83306Y102. The Company's common shares are not registered to trade in the United States in the form of American Depository Receipts (ADR's) or similar certificates.

Table No. 9 lists the volume of trading and high, low and closing sale prices on the TSX Venture Exchange for the Company's common shares for:

- each of the last six months ending March 31, 2019;
- each of the last twelve fiscal quarters ending the three months ended March 31, 2019; and
- each of the last five fiscal years ending December 31, 2018.

The Company first commenced trading on August 25, 2010 under the symbol “ALY.P”. Upon the completion of the Company’s Qualifying Transaction, the stock resumed trading under its new symbol “SPN” on March 6, 2012.

Table No. 9  
TSX Venture Exchange  
Common Shares Trading Activity

Period	- Sales - Canadian Dollars		
	High	Low	Close
March 2019	\$ 0.075	\$ 0.06	\$ 0.06
February 2019	0.08	0.065	0.065
January 2019	0.075	0.05	0.065
December 2018	0.075	0.05	0.05
November 2018	0.085	0.06	0.065
October 2018	0.095	0.055	0.06
Three Months Ended March 31, 2019	\$ 0.08	0.05	0.06
Three Months Ended December 31, 2018	0.095	0.05	0.05
Three Months Ended September 30, 2018	0.125	0.055	0.09
Three Months Ended June 30, 2018	0.17	0.11	0.125
Three Months Ended March 31, 2018	\$ 0.19	\$ 0.095	\$ 0.15
Three Months Ended December 31, 2017	0.15	0.075	0.11
Three Months Ended September 30, 2017	0.095	0.065	0.07
Three Months Ended June 30, 2017	0.145	0.075	0.10
Three Months Ended March 31, 2017	\$ 0.16	\$ 0.05	\$ 0.07
Three Months Ended December 31, 2016	0.19	0.11	0.14
Three Months Ended September 30, 2016	0.20	0.12	0.17
Three Months Ended June 30, 2016	0.38	0.17	0.19
Fiscal Year Ended December 31, 2018	\$ 0.19	\$ 0.05	\$ 0.05
Fiscal Year Ended December 31, 2017	0.16	0.05	0.11
Fiscal Year Ended December 31, 2016	0.38	0.11	0.14
Fiscal Year Ended December 31, 2015	0.72	0.14	0.45
Fiscal Year Ended December 31, 2014	0.63	0.09	0.61

The Company's common shares also trade Over-the-counter in the United States on OTC Link (formerly Pink Sheets) under the symbol “SNIPF”. The shares began to trade on OTC Link on February 19, 2016.

Table No. 9a lists the volume of trading and high, low and closing sale prices on OTC Link for the Company's common shares since inception of trading.

Table No. 9a  
OTC Link Over-the-counter  
Common Shares Trading Activity

Period	- Sales - United States Dollars		
	High	Low	Close
March 2019	\$ 0.06	\$ 0.04	\$ 0.04
February 2019	0.06	0.05	0.06
January 2019	0.06	0.04	0.04
December 2018	0.06	0.04	0.04
November 2018	0.07	0.04	0.06
October 2018	0.08	0.04	0.04
Three Months Ended March 31, 2019	\$ 0.06	\$ 0.04	\$ 0.04
Three Months Ended December 31, 2018	0.08	0.04	0.04
Three Months Ended September 30, 2018	0.10	0.04	0.06
Three Months Ended June 30, 2018	0.14	0.04	0.05
Three Months Ended March 31, 2018	\$ 0.22	\$ 0.07	\$ 0.12
Three Months Ended December 31, 2017	0.12	0.06	0.08
Three Months Ended September 30, 2017	0.07	0.05	0.06
Three Months Ended June 30, 2017	0.11	0.07	0.07
Three Months Ended March 31, 2017	\$ 0.10	\$ 0.06	\$ 0.06
Three Months Ended December 31, 2016	0.14	0.09	0.09
Three Months Ended September 30, 2016	0.14	0.09	0.14
Three Months Ended June 30, 2016	0.68	0.13	0.15
Year Ended December 31, 2018	\$ 0.22	\$ 0.04	\$ 0.04
Year Ended December 31, 2017	0.12	0.06	0.08
Year Ended December 31, 2016	0.68	0.09	0.09

Table No. 10 lists, as of April 23, 2019, Finder's Warrants outstanding, the exercise price, and the expiration date of the options.

Table No. 10  
Finder's Warrants Outstanding

Number of Finder's Warrants Outstanding	Exercise Price	Expiration Date
480,000	C\$0.10	March 12, 2020
360,000	C\$0.10	March 28, 2020
222,000	C\$0.10	April 18, 2020
115,000	C\$0.12	April 18, 2020
<b>Total</b>		
<b>1,177,000</b>		

Each Finder's Warrant is exercisable into 1 common share.

American Depository Receipts. Not applicable.  
Other Securities to be Registered. Not applicable

### The TSX Venture Exchange

The Company's common stock is currently listed and trading on the TSX Venture Exchange ("TSX-V").

The TSX-V was created through the acquisition of the Canadian Venture Exchange by the Toronto Stock Exchange. The Canadian Venture Exchange was a result of the merger between the Vancouver Stock Exchange and the Alberta Stock Exchange which took place on November 29, 1999. On August 1, 2001, the Toronto Stock Exchange completed its purchase of the Canadian Venture Exchange from its member firms and renamed the Exchange the TSX Venture Exchange. The TSX-V currently operates as a complementary but independent exchange from its parent.

The initial roster of the TSX-V was made up of venture companies previously listed on the Vancouver Stock Exchange or the Alberta Stock Exchange and later incorporated junior listings from the Toronto, Montreal and Winnipeg Stock Exchanges. The TSX-V is a venture market as compared to the TSX Exchange which is Canada's senior market and the Montreal Exchange which is Canada's market for derivatives products.

The TSX-V is a self-regulating organization owned and operated by the TMX Group. It is governed by representatives of its member firms and the public.

The TMX Group acts as a business link between TSX Venture Exchange members, listed companies and investors. TSX-V policies and procedures are designed to accommodate companies still in their formative stages and recognize those that are more established. Listings are predominately small and medium sized companies.

Regulation of the TSX Venture Exchange, its member firms and its listed companies is the responsibility of Investment Industry Regulatory Organization of Canada ("IIROC"). IIROC is a not-for-profit, independent Canadian self-regulatory organization that, among other things, oversees trading in exchanges and marketplaces.

IIROC administers, oversees and enforces the Universal Market Integrity Rules ("UMIR"). To ensure compliance with UMIR, IIROC monitors real-time trading operations and market-related activities of marketplaces and participants, and also enforces compliance with UMIR by investigating alleged rule violations and administering any settlements and hearings that may arise in respect of such violations.

Investors in Canada are protected by the Canadian Investor Protection Fund ("CIPF"). The CIPF is a private trust fund established to protect customers in the event of the insolvency of the Dealer Members of the IIROC.

## **Item 10. Additional Information**

### **Share Capital**

The Company has financed its operations through the issuance of common shares through private placements, the exercise of warrants issued in the private placements, and the exercise of stock options. The changes in the Company's share capital for the last three fiscal years are as follows:

During fiscal 2018, the Company issued a total of 48,427,229 common shares;

- 35,000,000 common shares were issued pursuant to a non-brokered private placement completed in five tranches at a price of C\$0.10 per share for total proceeds of \$2,741,470 (C\$3,500,000). 2,916,667 additional common shares were issued in an over-allotment to the fifth tranche at a price of C\$0.12 per share for gross proceeds of \$277,480 (C\$350,000).
- 10,510,562 common shares were issued at a deemed price of C\$0.062 per share pursuant to the acquisition of Ziploop Inc. valued at \$500,000 (C\$686,884).

During fiscal 2017, the Company issued a total of 45,200,000 common shares:

- 45,000,000 common shares were issued pursuant to a non-brokered private placement financing at a price of C\$0.10 per share in three tranches for gross proceeds of \$3,375,076 (C\$4,500,000).
- 200,000 common shares were issued pursuant to the exercise of stock options for proceeds of \$15,888 (C\$20,000).

During fiscal 2016, the Company issued 26,782,960 common shares:

- The Company closed the first, second and third tranches of a non-brokered private placement financing consisting of 22,323,334 common shares issued at a price of C\$0.30 per share for proceeds of \$5,275,554 (C\$6,697,000).
- 158,000 common shares were issued pursuant to the exercise of warrants for proceeds of \$40,898.
- 100,000 common shares were issued pursuant to the exercise of stock options at a price of C\$0.185 per share for proceeds of \$14,600 (C\$18,500).
- 3,033,813 common shares were issued as part of the Hip Digital acquisition shares at a deemed price of C\$0.17 per share for a deemed value of \$393,801 (C\$516,479).
- 1,167,813 common shares were issued to Hip Digital employees at a deemed value of \$191,484 (C\$246,742)

### **Shares Issued for Assets Other Than Cash**

During fiscal 2018, the Company issued 10,510,562 common shares pursuant to the Ziploop Inc. acquisition agreement.

During fiscal 2016, the Company issued 3,033,813 common shares and issued 1,167,813 common shares to Hip Digital employees pursuant to the Hip Digital acquisition agreement.

During fiscal 2015, the Company issued 3,921,679 common shares and issued 697,780 common shares to Hip Digital employees pursuant to the Hip Digital acquisition agreement. The Company also issued 661,591 common stock units as a corporate advisory fee pursuant to a bought deal private placement, with each unit consisting of one common share and one half of a share purchase warrant.

Other than the transactions listed above, the Company has issued no shares for assets other than cash during the last 5 fiscal years.

### **Shares Held By Company**

-No Disclosure Necessary-

## ESCROW SHARES

The Company previously had common shares in escrow subject to two separate escrow agreements, the “*IPO Escrow Agreement*” and the “*Merger Escrow Agreement*”. The final common shares were released from escrow under both agreements were released from escrow on March 5, 2015. As of March 31, 2015, the Company has no common shares remaining in escrow.

## Stock Options

Stock Options to purchase securities from Registrant can be granted to Directors and Employees of the Company on terms and conditions acceptable to the regulatory authorities in Canada, notably the TSX Venture Exchange.

The Company has a “Fixed” Stock Option Plan (the “Plan”) which is required to be approved by shareholders annually. The Plan was originally approved by shareholders at the Annual and Special Meeting of shareholders held on October 5, 2012 and was continued by a vote of the shareholders at the Annual and Special Meeting held on October 26, 2018.

Under the Plan, stock options may be issued to qualified Officers, Directors, Employees and Consultants. The number of common shares reserved for issuance under the Plan is 20% of the currently issued common shares of the Company as at the record date of the Company’s previous Annual General Meeting. The Board shall not grant options to any one person in any 12-month period which will exceed 5% of the issued and outstanding shares of the Company as determined at the time of the grant of the option, unless the Company has obtained disinterested shareholder approval. The number of options granted to any one consultant in a 12-month period shall not exceed 2% of the issued and outstanding shares at the time of the grant of the option. The aggregate number of options granted to any person conducting investor relations activities in any 12-month period shall not exceed 2% of the issued and outstanding shares at the time of the grant.

Upon expiry of an option, or in the even an option is otherwise terminated for any reason, the number of shares in respect of the expired or terminated option shall again be available for the purposes of the Plan. If the option holder ceases to be a director of the Company or ceases to be employed by the Company, other than by reason of death, or ceases to be a consultant of the Company as the case may be, then the option granted shall expire no later than the 90<sup>th</sup> day following the date that the option holder ceases to be a director, ceases to be employed by the Company or ceases to be a consultant of the Company, subject to the terms and conditions set out in the Plan. In the case of death of the Optionee, the options shall terminate on the first anniversary of the date of death of the Optionee, also subject to the terms and conditions of the Plan.

The exercise price of the option under the Plan may not be less than the closing price of the common shares on the TSX Venture Exchange on the day immediately preceding the date of grant, less the applicable discount allowed by the policies on the TSX Venture Exchange. An option granted under the Plan must be exercised within a period of ten years from granting. Within this ten-year period, the Company's Board of Directors may determine the limitation period during which an option may be exercised and whether a particular grant will have a minimum vesting period. Any agreement to decrease the option price of options previously granted to insiders will require the approval of “disinterested shareholders”.

A copy of the Company’s current Stock Option Plan as approved by shareholders at the Annual General Meeting held on June 1, 2015 has been included as an exhibit to the Company’s Form 6-K filed on May 11, 2015.

The names and titles of the Directors/Executive Officers of the Registrant to whom outstanding stock options have been granted and the numbers of common shares subject to such options are set forth in Table No. 11 as of April 23, 2019, as well as the number of options granted to Directors and all employees as a group.

Table No. 11  
Stock Options Outstanding

<b>Name</b>	<b>Number of Options</b>	<b>Number of Options Currently Vested</b>	<b>CDN\$ Exercise Price</b>	<b>Expiration Date</b>
Atul Sabharwal, CEO and Director	250,000	250,000	\$ 0.55	December 29, 2019
	500,000	500,000	0.38	February 11, 2021
	470,000	156,667	0.10	June 16, 2022
	1,422,000	Nil	0.10	October 26, 2023
Megan Prikhodko, Chief Operating Officer	50,000	50,000	\$ 0.41	July 9, 2020
	75,000	75,000	0.41	August 13, 2020
	60,000	60,000	0.38	February 9, 2021
	119,000	119,000	0.10	June 13, 2022
	500,000	166,667	0.10	November 1, 2022
Jaisun Garcha, Chief Financial Officer	125,000	125,000	\$ 0.55	December 29, 2019
	100,000	100,000	0.38	February 11, 2021
	82,000	27,333	0.10	June 16, 2022
Rahoul Roy, Chief Legal Officer	400,000	400,000	\$ 0.46	October 19, 2020
	100,000	100,000	0.38	February 11, 2021
	98,000	32,667	0.10	June 16, 2022
	182,000	Nil	0.10	October 26, 2023
Sarfaraz Haji, Director	250,000	Nil	\$ 0.10	October 26, 2023
Tom Burgess, Director	250,000	Nil	\$ 0.10	October 26, 2023

<b>Name</b>	<b>Number of Options</b>	<b>Number of Options Currently Vested</b>	<b>CDN\$ Exercise Price</b>	<b>Expiration Date</b>
Employees/Consultants/ Former Officers & Directors	100,000	100,000	\$ 0.25	September 10, 2019
	200,000	200,000	0.34	November 6, 2019
	175,000	175,000	0.33	November 26, 2019
	775,000	775,000	0.55	December 29, 2019
	410,000	410,000	0.68	February 9, 2020
	25,000	25,000	0.65	March 26, 2020
	100,000	100,000	0.68	June 8, 2020
	764,258	764,258	0.41	July 9, 2020
	360,000	360,000	0.41	August 13, 2020
	85,000	85,000	0.41	September 15, 2020
	200,000	200,000	0.44	October 5, 2020
	200,000	200,000	0.47	October 14, 2020
	60,000	40,000	0.42	November 10, 2020
	469,714	469,714	0.38	February 9, 2021
	700,000	700,000	0.38	February 11, 2021
	120,000	120,000	0.38	February 12, 2021
	63,333	42,222	0.15	December 15, 2021
	2,173,000	724,333	0.10	June 13, 2022
	839,000	279,666	0.10	June 16, 2022
	350,000	Nil	0.065	September 14, 2023
	1,422,000	Nil	0.10	October 26, 2023
Total Employees/Consultants/ Former Officers/Directors	9,091,305	5,290,193		
Total	14,624,305	7,873,194		

### **Resolutions/Authorization/Approvals**

-No Disclosure Necessary-

### **Memorandum and Articles of Association**

The Company was originally incorporated on January 21, 2010 under the name “Alya Ventures Ltd.” under the provisions of the *Business Corporations Act* (B.C.) (the "Act"). The Company changed its name to “Snipp Interactive Inc.” effective March 5, 2012.

There are no restrictions on the business the company may carry on in the Articles of Incorporation.

Under the Company’s articles and bylaws any director or senior officer that has a disclosable interest in a contract or transaction shall be liable to account to the Company for any profits that accrue to the director or senior officer in accordance with the provisions of the Act. A director is not allowed to vote on any transaction or contract with the Company in which he has a disclosable interest unless all directors have a disclosable interest in that transaction or contract, in which case all of those directors may vote on such resolution. A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the Act.

Part 16 of the Company's bylaws address the powers and duties of the directors, while Part 8 discusses the Borrowing Powers. The Company may, if authorized by the directors, may:

- a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors think appropriate;
- b) issue bonds, debentures, and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
- c) guarantee the repayment of money by any other person or the performance of any obligation of any other person;
- d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

A Director need not be a shareholder as qualification for his or her office. There are no age limit requirements pertaining to the retirement or non-retirement of directors and a director need not be a shareholder of the Company. At each annual general meeting of the Company, all the directors shall retire and the shareholders shall elect a Board of Directors consisting of the number of directors for the time being set pursuant the Company's Articles. A retiring director shall be eligible for re-election.

The remuneration of the directors may from time to time be determined by the directors or, if the directors shall so decide, by the shareholders. Such remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such who is also a director. The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company. If any director shall perform any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director or shall otherwise be specially occupied in or about the Company's business, he may be paid a remuneration to be fixed by the Board or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to or in substitution for any other remuneration that he may be entitled to receive.

Part 21 deals with indemnification and payment of expenses of directors and officers. Subject to the provisions of the Act, the Company must indemnify a director, former director, or alternate director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with the Company on the terms of the indemnity contained in Article 21.2. Subject to restrictions in *the Business Corporations Act*, the Company may indemnify any person. The failure of a director, alternate director, or officer of the Company to comply with the provisions of the Act or these Articles shall not invalidate any indemnity to which he is entitled under this Part. The directors may cause the Company to purchase and maintain insurance for the benefit of eligible parties.

The rights, preferences and restrictions attaching to each class of the Company's shares are as follows:

The authorized share structure of the Company consists of an unlimited number common shares without par value, and an unlimited number of preferred shares, without par value, issuable in series, which includes an unlimited number of Series 1 voting preferred shares, without par value, redeemable at C\$0.0001 per share.

Holders of common stock are entitled to one vote for each share held of record on all matters to be acted upon by the shareholders. Directors may from time to time declare and authorize payment of such dividends, if any, as they deem advisable and need not give notice of such declaration to any shareholder. Dividends are subject to the rights, if any, of shareholders holding shares with special rights as to dividends. No dividend shall be paid otherwise than out of funds and/or assets properly available for the payment of dividends and a declaration by the directors as the amount of such funds or assets available for dividends shall be conclusive.

Holders of Series 1 voting preferred shares are entitled to receive notice and attend all meetings of shareholders and receive one vote for each share held of record, except meetings of which holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series. No dividends shall be declared or paid on the Series 1 preferred shares. In the event of the liquidation, dissolution, or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company, the holders of the Series 1 preferred shares are not entitled to receive any return on capital or proceeds from the liquidation, dissolution or winding-up of the Company. The Company may, at its option, redeem all or from time to time any part of the outstanding Series 1 preferred shares on payment to the holders thereof, for the shares to be redeemed, of the redemption price per share. The price at which the Company may redeem the whole or any part of the Series 1 preferred shares outstanding shall be the sum of 1/100<sup>th</sup> of \$0.01 for each Series 1 preferred share. Series 1 preferred shares redeemed by the Company shall be cancelled and may not be reissued.

The Company may by directors' resolution, unless an alteration of the Company's Notice of Articles would be required, in which case by ordinary resolution:

- a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- c) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
- d) if the Company is authorized to issue shares of a class of shares with par value:
  - (i) decrease the par value of those shares; or
  - (ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- e) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- f) alter the identifying name of any of its shares; or
- g) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*,

Subject to the provisions of the Act, the Company or the Directors on behalf of the Company, may pay a reasonable commission or allow a reasonable discount to any person in consideration of his purchasing or agreeing to purchase, whether absolutely or conditionally, any shares, debentures, share rights, warrants or debenture stock in the Company, or procuring or agreeing to procure purchasers, whether absolutely or conditionally, for any such shares, debentures, share rights, warrants or debenture stock. The Company may also pay such brokerage as may be lawful.

An annual general meeting shall be held once every calendar year at such time (not being more than 15 months after the annual reference date for the preceding calendar year) and place as may be determined by the Directors. The Directors may, as they see fit, convene an extraordinary general meeting. An extraordinary general meeting, if requisitioned in accordance with the Act, shall be convened by the Directors or, if not convened by the Directors, may be convened by the requisitionists as provided in the Act.

Subject to special rights and restrictions attached to any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 33 1/3% of the issued shares of the Company entitled to be voted at the meeting. The majority required for the passage of a special resolution or a special separate resolution shall be 2/3 of the votes cast on the resolution.

There are no limitations upon the rights to own securities.

There are no provisions that would have the effect of delaying, deferring, or preventing a change in control of the Company.

There is no special ownership threshold above which an ownership position must be disclosed.

A copy of the Company's Articles has been filed as an exhibit to the Company's 20-F Registration Statement.

### **Material Contracts**

1. Employment Agreement between the Company and Atul Sabharwal dated June 1, 2015. Under the agreement, Mr. Sabharwal agrees to serve as Chief Executive Officer for an annual base salary of \$200,000. The annual salary is subject to adjustment at the discretion of the Company's Board of Directors. The employee is also eligible for an annual incentive bonus of up to 100% of his base salary. Employment is "at will" and may be terminated by either party. Upon a change in control, if the Executive is terminated by the Company for reasons other than for cause, disability or the Executive's death, or if the Executive terminates his employment for good reason, the Executive shall receive a payment equal to 1 times his annual base salary if he approved of the change of control, or if he officially objected to the change of control, he will receive a payment equal to 2 times his base salary. He will also receive a payment equal to his incentive bonus in effect immediately prior to the change of control date. The agreement remains in effect until terminated by either party in accordance with the provisions of the agreement. A copy of this agreement has been filed as an exhibit to the Company's fiscal 2015 Form 20-F Annual Report.

2. Employment Agreement between the Company and Ritesh Bhavnani dated June 1, 2015. Under the agreement, Mr. Bhavnani agrees to serve as President for an annual base salary of \$200,000. The annual salary is subject to adjustment at the discretion of the Company's Board of Directors. The employee is also eligible for an annual incentive bonus of up to 100% of his base salary. Employment is "at will" and may be terminated by either party. Upon a change in control, if the Executive is terminated by the Company for reasons other than for cause, disability or the Executive's death, or if the Executive terminates his employment for good reason, the Executive shall receive a payment equal to 1 times his annual base salary if he approved of the change of control, or if he officially objected to the change of control, he will receive a payment equal to 2 times his base salary. He will also receive a payment equal to his incentive bonus in effect immediately prior to the change of control date. The agreement remains in effect until terminated by either party in accordance with the provisions of the agreement. A copy of this agreement has been filed as an exhibit to the Company's fiscal 2015 Form 20-F Annual Report
3. Employment agreement between the Company and Rahoul Roy dated October 19, 2015. Mr. Roy agrees to serve as Chief Legal Officer and Executive Vice President Corporate Development at a starting base salary of \$200,000 per year. The Compensation & Governance Committee will review the base salary on an annual basis and may increase the annual base salary upon such review. The Executive is also eligible to receive a cash bonus as determined by the Compensation & Governance Committee. Employment is "at will" and can be terminated by either the Executive or Company at any time and for any reason, with or without cause, by providing at least 4 weeks' prior written notice. A copy of this agreement has been filed as an exhibit to the Company's fiscal 2015 Form 20-F Annual Report.
4. Employment agreement between the Company and Rob Rathke effective April 17, 2017. Mr. Rathke agrees to serve as Executive Vice President, Sales at a base salary of C\$180,000. Mr. Rathke will also be granted 250,000 stock options under the Company's Stock Option Plan. Employment is for no specific period of time, and will be in Probation for an initial period of 3 months. During the Probation period, employment will be "at will" and can be terminated by either Mr. Rathke or the Company at any time for any reason, with or without cause. After the Probation period, employment may be terminated by either Mr. Rathke or the Company with mutual written consent of the parties; by the Employee with 30 days written notice; by the Company at any time for just cause; or by the Company without just cause by providing the required minimum amount of notice (which in the first 12 months of employment is 2 weeks' notice) or, at the Company's option, pay in lieu of notice and severance pay. A copy of this agreement has been filed as an exhibit to the Company's fiscal 2016 Form 20-F Annual Report.

## **EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS**

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of the Company's securities, except as discussed in ITEM 10, "Taxation" below.

Restrictions on Share Ownership by Non-Canadians: There are no limitations under the laws of Canada or in the Company's organizing documents on the right of foreigners to hold or vote securities of the Company, except that the Investment Canada Act may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

## **TAXATION**

The following summary of the material Canadian federal income tax consequences are stated in general terms and are not intended to be advice to any particular shareholder. Each prospective investor is urged to consult his or her own tax advisor regarding the tax consequences of his or her purchase, ownership and disposition of shares of Common Stock. The tax consequences to any particular holder of common stock will vary according to the status of that holder as an individual, trust, corporation or member of a partnership, the jurisdiction in which that holder is subject to taxation, the place where that holder is resident and, generally, according to that holder's particular circumstances.

This summary is applicable only to holders who are resident in the United States, have never been resident in Canada, deal at arm's length with the Company, hold their common stock as capital property and who will not use or hold the common stock in carrying on business in Canada. Special rules, which are not discussed in this summary, may apply to a United States holder that is an issuer that carries on business in Canada and elsewhere.

This summary is based upon the provisions of the Income Tax Act of Canada and the regulations thereunder (collectively, the "Tax Act" or "ITA") and the Canada-United States Tax Convention (the "Tax Convention") as at the date of the Annual Report and the current administrative practices of Canada Customs and Revenue Agency. This summary does not take into account provincial income tax consequences.

Management urges each holder to consult his own tax advisor with respect to the income tax consequences applicable to him in his own particular circumstances.

## **CANADIAN INCOME TAX CONSEQUENCES**

### **Disposition of Common Stock**

The summary below is restricted to the case of a holder (a "Holder") of one or more common shares ("Common Shares") who for the purposes of the Tax Act is a non-resident of Canada, holds his Common Shares as capital property and deals at arm's length with the Company.

### **Dividends**

A Holder will be subject to Canadian withholding tax ("Part XIII Tax") equal to 25%, or such lower rates as may be available under an applicable tax treaty, of the gross amount of any dividend paid or deemed to be paid on his Common Shares. Under the Tax Convention, the rate of Part XIII Tax applicable to a dividend on Common Shares paid to a Holder who is a resident of the United States is, if the Holder is a company that beneficially owns at least 10% of the voting stock of the Company, 5% and, in any other case, 15% of the gross amount of the dividend. The Company will be required to withhold the applicable amount of Part XIII Tax from each dividend so paid and remit the withheld amount directly to the Receiver General for Canada for the account of the Holder.

## **Disposition of Common Shares**

A Holder who disposes of Common Shares, including by deemed disposition on death, will not be subject to Canadian tax on any capital gain thereby realized unless the common Share constituted “taxable Canadian property” as defined by the Tax Act. Generally, a common share of a public corporation will not constitute taxable Canadian property of a Holder unless he held the common share as capital property used by him carrying on a business in Canada, or he or persons with whom he did not deal at arm’s length alone or together held or held options to acquire, at any time within the 60 months preceding the disposition, 25% or more of the issued shares of any class of the capital stock of the Company.

A Holder who is a resident of the United States and realizes a capital gain on disposition of Common Shares that was taxable Canadian property will nevertheless, by virtue of the Treaty, generally be exempt from Canadian tax thereon unless (a) more than 50% of the value of the Common Shares is derived from, or from an interest in, Canadian real estate, including Canadian mineral resources properties, (b) the Common Shares formed part of the business property of a permanent establishment that the Holder has or had in Canada within the 12 months preceding disposition, or (c) the Holder (i) was a resident of Canada at any time within the ten years immediately preceding the disposition, and for a total of 120 months during any period of 20 consecutive years, preceding the disposition, and (ii) owned the Common Shares when he ceased to be resident in Canada.

A Holder who is subject to Canadian tax in respect of a capital gain realized on disposition of Common Shares must include one half of the capital gain (“taxable capital gain”) in computing his taxable income earned in Canada. The Holder may, subject to certain limitations, deduct one half of any capital loss (“allowable capital loss”) arising on disposition of taxable Canadian property from taxable capital gains realized in the year of disposition in respect to taxable Canadian property and, to the extent not so deductible, from such taxable capital gains of any of the three preceding years or any subsequent year.

## **UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

The following is a discussion of material United States Federal income tax consequences, under the law, generally applicable to a U.S. Holder (as defined below) of common shares of the Company. This discussion does not cover any state, local or foreign tax consequences.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (“the Code”), Treasury Regulations, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, the discussion does not consider the potential effects, both adverse and beneficial, or recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares of the Company. Each holder and prospective holder of common shares of the Company is advised to consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Company applicable to their own particular circumstances.

## **U.S. Holders**

As used herein, a (“U.S. Holder”) includes a holder of common shares of the Company who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, an estate whose income is taxable in the United States irrespective of source or a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described in Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a “functional currency” other than the U.S. dollar, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services.

This summary is limited to U.S. Holders who own common shares as capital assets. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares.

### **Distribution on Common Shares of the Company**

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder’s United States Federal Income tax liability or, alternatively, individuals may be deducted in computing the U.S. Holder’s United States Federal taxable income by those individuals who itemize deductions. (See more detailed discussion at “Foreign Tax Credit” below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder’s adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Dividend income will be taxed at marginal tax rates applicable to ordinary income while preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss.

Dividends paid on the common shares of the Company will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation may, under certain circumstances, be entitled to a 70% deduction of the United States source portion of dividends received from the Company (unless the Company qualifies as a “foreign personal holding company” or a “passive foreign investment company”, as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of the Company. The availability of this deduction is subject to several complex limitations which are beyond the scope of this discussion.

Under current Treasury Regulations, dividends paid on the Company's common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of the Company's common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 31% U.S. backup withholding tax, unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

### **Foreign Tax Credit**

For individuals whose entire income from sources outside the United States consists of qualified passive income, the total amount of creditable foreign taxes paid or accrued during the taxable year does not exceed \$300 (\$600 in the case of a joint return) and an election is made under section 904(j), the limitation on credit does not apply.

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign income taxes (or taxes in lieu of income tax) paid by (or withheld from) the U.S. Holder during the year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his/her or its worldwide taxable income in the determination of the application of this limitation. The various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive income", "high withholding tax interest", "financial services income", "shipping income", and certain other classifications of income. Dividends distributed by the Company will generally constitute "passive income" or, in the case of certain U.S. Holders, "financial services income" for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and management urges holders and prospective holders of common shares of the Company to consult their own tax advisors regarding their individual circumstances.

### **Disposition of Common Shares of the Company**

A U.S. Holder will recognize gain or loss upon the sale of common shares of the Company equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of the Company. Preferential tax rates apply to long-term capital gains of U.S. Holders, which are individuals, estates or trusts. This gain or loss will be capital gain or loss if the common shares are capital assets in the hands of the U.S. Holder, which will be a short-term or long-term capital gain or loss depending upon the holding period of the U.S. Holder. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders, which are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted, but individuals may not carry back capital losses. For U.S. Holders, which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

## **Other Considerations**

In the following circumstances, the above sections of the discussion may not describe the United States Federal income tax consequences resulting from the holding and disposition of common shares of the Company.

### **Foreign Personal Holding Company**

If at any time during a taxable year more than 50% of the total combined voting power or the total value of the Company's outstanding shares is owned, actually or constructively, by five or fewer individuals who are citizens or residents of the United States and 60% (50% after the first tax year) or more of the Company's gross income for such year was derived from certain passive sources (e.g. from interest income received from its subsidiaries), the Company would be treated as a "foreign personal holding company." In that event, U.S. Holders that hold common shares of the Company would be required to include in gross income for such year their allocable portions of such passive income to the extent the Company does not actually distribute such income.

The Company does not believe that it currently has the status of a "foreign personal holding company". However, there can be no assurance that the Company will not be considered a foreign personal holding company for the current or any future taxable year.

### **Foreign Investment Company**

If 50% or more of the combined voting power or total value of the Company's outstanding shares are held, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31), and the Company is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that the Company might be treated as a "foreign investment company" as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares of the Company to be treated as ordinary income rather than capital gains.

### **Passive Foreign Investment Company**

As a foreign corporation with U.S. Holders, the Company could potentially be treated as a passive foreign investment company ("PFIC"), as defined in Section 1297 of the Code, depending upon the percentage of the Company's income which is passive, or the percentage of the Company's assets which is held for the purpose of producing passive income.

The rule governing PFICs can have significant tax effects on U.S. shareholders of foreign corporations who are subject to U.S. Federal income taxation under alternative methods at the election of each such U.S. shareholder. As a PFIC, each U.S. shareholder's income or gain, with respect to a disposition or deemed disposition of the PFIC's shares or a distribution payable on such shares will generally be subject to tax at the highest marginal rates applicable to ordinary income and certain interest charges, unless the U.S. shareholder has timely made a "qualified electing fund" election or a "mark-to-market" election for those shares.

A U.S. shareholder who elects to treat the PFIC as a Qualified Electing Fund ("QEF"), as defined in the Code, (an "Electing U.S. Holder") will be required to currently include in his income, for any taxable year in which the corporation qualifies as a PFIC, his pro-rata share of the corporation's (i) "net capital gain" (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain to the Electing U.S. Holder, and (ii) "ordinary earnings" (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income to the Electing U.S. Holder, in each case, for the U.S. Holder's taxable year in which (or with which) the corporation's taxable year ends, regardless of whether such amounts are actually distributed. A QEF election also allows the Electing U.S. Holder to generally treat any gain realized on the disposition of his common shares (or deemed to be realized on the pledge of his common shares) as capital gain; treat his share of the corporation's net capital gain, if any, as long-term capital gain instead of ordinary income, and either avoid interest charges resulting from PFIC status altogether, or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of the corporation's annual realized net capital gain and ordinary earnings.

The procedure a U.S. Holder must comply with in making a timely QEF election will depend on whether the year of the election is the first year in the U.S. Holder's holding period in which the corporation is a PFIC. If the U.S. shareholder makes a QEF election in such first year, then the U.S. shareholder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files a tax return for such first year. If, however, the corporation qualified as a PFIC in a prior year during the U.S. shareholder's holding period, then the U.S. shareholder may make a retroactive QEF election, provided he has preserved his right to do so under the protective statement regime or he obtains IRS permission.

If a U.S. shareholder has not made a QEF Election at any time (a "Non-electing U.S. Holder"), then special taxation rules under Section 1291 of the Code will apply to gains realized on the disposition (or deemed to be realized by reason of a pledge) of his common shares, and certain "excess distributions" by the corporation. An excess distribution is a current year distribution received by the U.S. shareholder on PFIC stock to the extent that the distribution exceeds its ratable portion of 125% of the average amount received by the U.S. shareholder during the preceding three years.

A Non-electing U.S. shareholder generally would be required to pro-rate all gains realized on the disposition of his common shares and all excess distributions over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. shareholder (other than years prior to the first taxable year of the corporation during such U.S. Holder's holding period and beginning after January 1, 1987 for which it was a PFIC) would be taxed at the highest marginal tax rate for each such prior year applicable to ordinary income. The Non-electing U.S. shareholder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-electing non-corporate U.S. shareholder must treat this interest charge as "personal interest" which is wholly non-deductible. The balance of the gain or the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance.

If a corporation is a PFIC for any taxable year during which a Non-electing U.S. shareholder holds common shares, then the corporation will continue to be treated as a PFIC with respect to such common shares, even if it is no longer by definition a PFIC. A Non-electing U.S. shareholder may terminate this deemed PFIC status by electing to recognize a gain, which will be taxed under the rules for Non-Electing U.S. Holders, as if such common shares had been sold on the last day of the last taxable year for which it was a PFIC. If the corporation no longer qualifies as a PFIC in a subsequent year, then normal Code rules and not the PFIC rules will apply with respect to a U.S. shareholder who has made a QEF election.

In certain circumstances, a U.S. Holder of stock in a PFIC can make a “qualified electing fund election” to mitigate some of the adverse tax consequences of holding stock in a PFIC by including in income its share of the corporation’s income on a current basis. However, we do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. Management urges US persons to consult with their own tax advisors with regards to the impact of these rules.

### **Controlled Foreign Corporation**

A Controlled Foreign Corporation (CFC) is a foreign corporation more than 50% of whose stock by vote or value is, on any day in the corporation’s tax year, owned (directly or indirectly) by U.S. Shareholders. If more than 50% of the voting power of all classes of stock entitled to vote is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom own actually or constructively 10% or more of the total combined voting power of all classes of stock of the Company could be treated as a “controlled foreign corporation” under Subpart F of the Code. This classification would affect many complex results, one of which is the inclusion of certain income of a CFC, which is subject to current U.S. tax. The United States generally taxes United States Shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such United States Shareholders are generally treated as having received a current distribution out of the CFC’s Subpart F income and are also subject to current U.S. tax on their pro rata shares of the CFC’s earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts.

In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of common shares of the Corporation which is or was a United States Shareholder at any time during the five-year period ending with the sale or exchange is treated as ordinary income to the extent of earnings and profits of the Company (accumulated in corporate tax years beginning after 1962, but only while the shares were held and while the Company was “controlled”) attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to the United States Shareholders of the CFC. This rule generally will be effective for taxable years of United States Shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States Shareholders. The PFIC provisions continue to apply in the case of PFIC that is also a CFC with respect to the U.S. Holders that are less than 10% shareholders. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion.

The amount of any backup withholding will not constitute additional tax and will be allowed as a credit against the U.S. Holder’s federal income tax liability.

***Filing of Information Returns.*** Under a number of circumstances, United States Investor acquiring shares of the Company may be required to file an information return with the Internal Revenue Service Center where they are required to file their tax returns with a duplicate copy to the Internal Revenue Service Center, Philadelphia, PA 19255. In particular, any United States Investor who becomes the owner, directly or indirectly, of 10% or more of the shares of the Company will be required to file such a return. Other filing requirements may apply, and management urges United States Investors to consult their own tax advisors concerning these requirements.

### **Statement by Experts**

The Company’s auditors for the financial statements for its fiscal years ended December 31, 2018, 2017, and 2016 was MNP LLP, Chartered Professional Accountants. The auditor’s report is included with the related financial statements.

## **Documents on Display**

All documents incorporated in this 20-F Annual Report may be viewed at the Company's head office located at 530 Richmond St West, Rear Lower Level, Toronto, Ontario. Canada M5V 1K4.

## **Item 11. Disclosures about Market Risk**

The Company is subject to certain kinds of Market Risk.

### *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 the Company's profit or loss and comprehensive profit or loss by approximately \$16,000 (2017 - \$9,000; 2016 - \$20,000).

### *Foreign Currency Risk*

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2018, the Company held cash and cash equivalents as well as accounts payable and accrued liabilities denominated in the Canadian dollar, European Euro, British Pound, Swiss Franc, and Indian Rupee and considers foreign currency risk low. The majority of the Company's foreign currency amounts are held in Canadian dollars. A plus or minus 1% change in Canadian foreign exchange rates would affect profit or loss and comprehensive profit or loss by less than \$1,000 (2017 - \$1,000; 2016 - \$1,000).

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

	December 31, 2018	December 31, 2017
Cash and cash equivalents	C\$ 73,202	C\$ 135,049
Accounts receivable	257,492	390,017
Accounts payable and accrued liabilities	<u>(653,150)</u>	<u>(770,108)</u>
Total	C\$ (322,456)	C\$ (245,042)

## **Item 12. Description of Other Securities**

Not Applicable

## **Part II**

## **Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not Applicable

## **Item 14. Modifications of Rights of Securities Holders and Use of Proceeds**

Not Applicable

## **Item 15. Controls and Procedures**

### **Disclosure Controls and Procedures**

The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to senior management, including Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), by others within those entities on a timely basis so that appropriate decisions can be made regarding public disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities and Exchange Act of 1934, as amended) as of December 31, 2018. The Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of December 31, 2018, were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the Chief Executive Office and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### **Management's Annual Report on Internal Control over Financial Reporting**

The Company's management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with IFRS as issued by IASB. The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit & Risk Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements. Management reviewed the results of their assessment with the Company's Audit & Risk Committee.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

To evaluate the effectiveness of the Company's internal control over financial reporting, Management has used the Internal Control - Integrated Framework (2013), which is a suitable, recognized control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective as of December 31, 2018.

### **Limitations on the Effectiveness of Controls**

The Company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

### **Attestation Report of the Registered Accounting Firm.**

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Form 20-F Annual Report.

### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Item 16. Reserved**

#### **Item 16A. Audit Committee Financial Expert**

The Company does not have an "audit committee financial expert" serving on its audit & risk committee. The Company's Audit & Risk Committee consists of three directors, two of which are independent directors, all of whom are financially literate and very knowledgeable about the Company's affairs. Because the Company's structure and operations are straightforward, the Company does not find it necessary at the current time to augment its Board with a financial expert.

#### **Item 16B. Code of Ethics**

The Company has not adopted a formal written code of ethics. Directors and officers of the Company are subject securities laws whereby they are required to act honestly, in good faith and in the best interests of the Company. The Board of Directors monitors on an ongoing basis the activities of management to ensure that the highest standard of ethical conduct is maintained. However, as the Company is growing in size, the Board anticipates that it will evaluate the implementation of a formal Code of Business Conduct and Ethics.

### **Item 16C. Principal Accountant Fees and Services**

The Audit & Risk Committee is directly responsible for the appointment, compensation and oversight of auditors; the audit & risk committee has in place procedures for receiving complaints and concerns about accounting and auditing matters; and has the authority and the funding to engage independent counsel and other outside advisors.

In accordance with the requirements of the US Sarbanes-Oxley Act of 2002 and rules issued by the Securities and Exchange Commission, the Company's Audit & Risk Committee Charter includes a procedure for the review and pre-approval of any services performed by the Company's auditor, including audit services, audit related services, tax services and other services. The procedure requires that all proposed engagements of the auditor for audit and permitted non-audit services are submitted to the finance and audit & risk committee for approval prior to the beginning of any such services.

Fees, including reimbursements for expenses, for professional services rendered by MNP LLP are included in Table No. 12:

Table No. 12  
Principal Account Fees and Services

<b>Type of Service</b>	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
Audit Fees	\$ 84,976	\$ 77,019
Audit Related Fees	4,942	Nil
Tax Fees	29,135	Nil
All Other Fees	Nil	Nil
Total	<u>\$ 119,053</u>	<u>\$ 77,019</u>

### **Item 16D. Exemptions from Listing Standards for Audit Committees**

Not Applicable

### **Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

Not Applicable

### **Item 16F. Change in Registrant's Certifying Accountant**

Not Applicable

### **Item 16G. Corporate Governance**

Not Applicable

### **Item 16H. Mine Safety Disclosure**

Not Applicable

## Part III

### **Item 17. Financial Statements**

Not applicable

### **Item 18. Financial Statements**

The Company's financial statements are stated in U.S. Dollars (\$) and are prepared in accordance with International Financial Reporting Standards.

The financial statements as required under ITEM #18 are attached hereto and found immediately following the text of this Registration Statement. The audit report of MNP LLP, Chartered Professional Accountants, are included herein immediately preceding the financial statements.

### **Item 19. Exhibits**

(A) The financial statements thereto as required under ITEM #18 are attached hereto and found immediately following the text of this Registration Statement. The audit report of MNP LLP, Chartered Professional Accountants, for the audited financial statements is included herein immediately preceding the audited financial statements.

Audited Financial Statements

Report of Independent Registered Public Accounting Firm of MNP LLP, Chartered Professional Accountants, dated April 29, 2019.

Statements of Financial Position at December 31, 2018 and 2017.

Statements of Operations and Comprehensive Loss for the years ended December 31, 2018, 2017 and 2016.

Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016.

Statements of Changes in Equity for the years ended December 31, 2018, 2017 and 2016.

Notes to Financial Statements

(B) Index to Exhibits:

1. Certificate of Incorporation, Certificates of Name Change, Articles of Incorporation, Articles of Amalgamation and By-Laws:
  - a) Certificate of Incorporation dated January 21, 2010. \*
  - b) Certificate of Change of Name dated March 1, 2012. \*
  - c) Articles and Bylaws dated January 21, 2010. \*
  - d) Directors Resolutions dated February 24, 2012. \*
2. Instruments defining the rights of holders of the securities being registered  
--See Exhibit Number 1--

3. Voting Trust Agreements - N/A
4. Material Contracts
  - a. Cross-Marketing Agreement between e-Winery Solutions, NXT-Wine Mobile LLC and the Company dated November 9, 2012. \*
  - b. Consulting Agreement between the Company and Finalysis Group LLC (Atul Sabharwal) dated October 31, 2011. \*
  - c. Consulting Agreement between the Company and Ritesh Bhavnani dated October 31, 2011. \*
  - d. Employment Agreement between the Company and John Fauller dated May 16, 2012. \*
  - e. Employment Agreement between the Company and Wilson A. Bell dated October 31, 2011. \*
  - f. Employment Agreement between the Company and Atul Sabharwal dated June 1, 2015 \*\*\*
  - g. Employment Agreement between the Company and Ritesh Bhavnani dated June 1, 2015. \*\*\*
  - h. Employment agreement between Hip Digital and Baris Karadogan dated January 1, 2011 and as amended on June 2, 2011. \*\*\*
  - i. Employment agreement between the Company and David Hargreaves dated November 4, 2014. \*\*\*
  - j. Employment agreement between the Company and Rahoul Roy dated October 19, 2015. \*\*\*
  - k. Employment agreement between the Company and Rob Rathke effective April 17, 2017. \*\*\*\*\*
5. List of Foreign Patents - N/A
6. Calculation of earnings per share - N/A
7. Explanation of calculation of ratios - N/A
8. List of Subsidiaries
9. Statement pursuant to the instructions to Item 8.A.4, regarding the financial statements filed in registration statements for initial public offerings of securities – N/A
10. Other Documents
  - a) Consent of MNP LLP, Chartered Professional Accountants, dated February 23, 2015. \*\*
  - b) Consent of Davidson & Company, LLP, Chartered Accountants, dated February 23, 2015. \*\*
  - c) Copy of 2012 Stock Option Plan \*
  - d) Copy of Management Information Circular for the Annual General Meeting of Shareholders held on December 12, 2013. \*
  - e) Form of Proxy for the Annual General Meeting of Shareholders held on December 12, 2013. \*
  - f) CPC Escrow Agreement between the Company and Computershare dated July 15, 2010. \*
  - g) Value Security Escrow Agreement between the Company and Computershare dated March 1, 2012. \*
  - h) Letter from former auditor Davidson & Company LLP dated February 23, 2015. \*\*
  - i) Compensation and Corporate Governance Committee Charter \*\*\*\*\*

- 12.1 Certification of CEO Pursuant to Securities Exchange Act, Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Certification of CFO Pursuant to Securities Exchange Act, Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1 Certification of CEO Pursuant to the Sarbanes-Oxley Act, 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 13.2 Certification of CFO Pursuant to the Sarbanes-Oxley Act, 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* Filed as exhibits to the Company's Form 20-F Registration filed on October 22, 2014.

\*\* Filed as exhibits to the Company's Form 20-F Registration Amendment No. 2 filed on February 25, 2015

\*\*\* Filed as exhibits to the Company's 2015 Form 20-F Annual Report

\*\*\*\* Filed as an exhibit to the Company's 2016 Form 20-F Annual Report

**SNIPP INTERACTIVE INC.**

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

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of SNIPP Interactive Inc. and its subsidiaries (“the Company”) as of December 31, 2018 and December 31, 2017, and the related consolidated statements of operations and comprehensive loss, changes in equity (deficiency), and cash flows for the years ended December 31, 2018, December 31, 2017 and December 31, 2016, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and the results of its consolidated operations and its consolidated cash flows for the three years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

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

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

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

*MNP LLP*

Chartered Professional Accountants  
Licensed Public Accountants

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

Mississauga, Canada

April 29, 2019

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

		December 31, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash	(Note 3)	\$ 1,594,429	\$ 386,630
Accounts receivable, net of allowance for doubtful accounts of \$15,309 (2017 - \$24,693)		2,378,671	3,815,278
Deposits, prepaid expenses and other assets		<u>716,877</u>	<u>498,151</u>
		4,689,977	4,700,059
<b>Equipment</b>	(Note 5)	43,419	66,329
<b>Intangible assets</b>	(Note 6)	4,701,199	5,121,845
<b>Goodwill</b>		<u>3,343,129</u>	<u>3,343,129</u>
		<u>\$ 12,777,724</u>	<u>\$ 13,231,362</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 2,861,051	\$ 2,542,885
Deferred revenue		561,760	959,881
Due to related parties	(Note 7)	77,244	44,972
Working Capital Line of Credit	(Note 14)	<u>-</u>	<u>933,159</u>
		3,500,055	4,480,897
<b>Shareholders' equity</b>			
Common shares	(Note 9)	29,523,285	26,186,684
Warrants	(Note 9)	421,796	421,796
Contributed surplus	(Note 9)	5,127,412	4,797,541
Deficit		(24,492,047)	(21,395,878)
Accumulated other comprehensive loss		<u>(1,302,777)</u>	<u>(1,259,678)</u>
		9,277,669	8,750,465
		<u>\$ 12,777,724</u>	<u>\$ 13,231,362</u>

Approved and authorized by the Board of Directors on April 29, 2019.

"Atul Sabharwal" Director  
Atul Sabharwal

"Sarfراز Haji" Director  
Sarfراز Haji

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

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

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
<b>REVENUE</b>	\$ 12,151,286	\$ 12,879,019	\$ 11,223,727
<b>EXPENSES</b>			
Salaries and compensation (Note 7)	7,087,464	9,175,637	11,448,476
General and administrative	960,488	1,145,136	1,360,966
Campaign infrastructure	4,240,261	3,808,721	3,808,736
Professional fees	210,064	265,875	415,988
Marketing and investor relations	298,555	92,138	244,119
Travel	114,885	86,473	304,551
Bad debt expense	37,194	226,085	51,410
Amortization of intangibles (Note 6)	1,952,641	1,714,339	1,472,943
Depreciation of equipment (Note 5)	30,635	45,825	51,627
Stock-based compensation (Note 7 & 9)	257,313	560,093	1,117,642
	<u>15,189,500</u>	<u>17,120,322</u>	<u>20,276,458</u>
<b>Net loss before interest, foreign exchange, change in fair value of derivative liability, change in fair value of acquisition consideration payable in equity and taxes</b>	(3,038,214)	(4,241,303)	(9,052,731)
Interest (expense) income	(8,236)	(93,583)	467
Foreign exchange loss	(5,649)	(65,501)	(27,817)
Change in fair value of derivative liability (Note 8)	-	-	31,834
Change in fair value of acquisition consideration payable in equity (Note 8)	-	-	537,381
Net loss before tax provision	<u>(3,052,099)</u>	<u>(4,400,387)</u>	<u>(8,510,866)</u>
Provision for taxes (Note 15)	(44,070)	(43,484)	(61,856)
<b>Net loss for the year</b>	(3,096,169)	(4,443,871)	(8,572,722)
<b>OTHER COMPREHENSIVE LOSS</b>			
<b>Items that may be reclassified subsequently to loss</b>			
Cumulative translation adjustment	(43,099)	139,930	(365,198)
<b>Comprehensive loss for the year</b>	<u>\$ (3,139,268)</u>	<u>\$ (4,303,941)</u>	<u>\$ (8,937,920)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	210,102,756	157,529,807	122,906,690

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, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year	\$ (3,096,169)	\$ (4,443,871)	\$ (8,572,722)
Items not involving cash:			
Amortization of intangible assets	1,952,641	1,714,339	1,472,943
Depreciation of equipment	30,635	45,825	51,627
Stock-based compensation	257,313	560,093	1,117,642
Change in fair value of derivative liability	-	-	(31,834)
Change in fair value of acquisition consideration payable in equity	-	-	(537,381)
Changes in non-cash working capital items:			
Accounts receivable	1,436,607	427,110	(1,300,575)
Deposits, prepaid expenses and other assets	(218,726)	(211,559)	30,275
Accounts payable and accrued liabilities	318,166	(133,761)	406,563
Deferred revenue	(398,121)	(1,001,741)	1,069,857
Due to related parties	32,272	(31,638)	(480,445)
Net cash flows generated by (used in) operating activities	<u>314,618</u>	<u>(3,075,203)</u>	<u>(6,774,050)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to equipment	(7,725)	(6,315)	(35,507)
Additions to intangible assets	(1,006,995)	(1,351,597)	(1,639,771)
Acquisition of Ziploop assets (Note 10)	(25,000)		
Due to Swiss Post	-	-	(861,956)
Net cash flows used in investing activities	<u>(1,039,720)</u>	<u>(1,357,912)</u>	<u>(2,537,234)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from common shares issued	3,018,950	3,375,076	5,275,554
Share issuance costs	(109,791)	(19,927)	(72,980)
Proceeds from warrants exercised	-	-	17,268
Proceeds from options exercised	-	15,888	14,600
(Repayment of) proceeds from working capital line of credit	(933,159)	(1,066,841)	2,000,000
Net cash flows provided by financing activities	<u>1,976,000</u>	<u>2,304,196</u>	<u>7,234,442</u>
<b>Effect of exchange rate changes on cash</b>	<u>(43,099)</u>	<u>139,930</u>	<u>(244,156)</u>
<b>Change in cash for the year</b>	<u>1,207,799</u>	<u>(1,988,989)</u>	<u>(2,320,998)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>386,630</u>	<u>2,375,619</u>	<u>4,696,617</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,594,429</u>	<u>\$ 386,630</u>	<u>\$ 2,375,619</u>

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

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

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

	Common Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2015	105,753,715	\$ 16,972,290	\$ 421,796	\$ 3,311,327	\$ (1,034,410)	\$ (8,379,285)	\$ 11,291,718
Private placement shares issued	22,323,334	5,275,554	-	-	-	-	5,275,554
Financing issuance costs		(72,980)	-	-	-	-	(72,980)
Stock options exercised	100,000	14,600	-	-	-	-	14,600
Warrants exercised	158,000	40,898	-	-	-	-	40,898
Hip Digital acquisition shares issued	3,033,813	393,801	-	-	-	-	393,801
Hip Digital employee shares issued	1,167,813	191,484	-	-	-	-	191,484
Stock-based compensation	-	-	-	926,121	-	-	926,121
Cumulative translation adjustment	-	-	-	-	(365,198)	-	(365,198)
Net loss for the year	-	-	-	-	-	(8,572,722)	(8,572,722)
Balance, December 31, 2016	132,536,675	\$ 22,815,647	\$ 421,796	\$ 4,237,448	\$ (1,399,608)	\$ (16,952,007)	\$ 9,123,276
Private placement shares issued	45,000,000	3,375,076	-	-	-	-	3,375,076
Financing issuance costs		(19,927)	-	-	-	-	(19,927)
Stock options exercised	200,000	15,888	-	-	-	-	15,888
Stock-based compensation	-	-	-	560,093	-	-	560,093
Cumulative translation adjustment	-	-	-	-	139,930	-	139,930
Net loss for the year	-	-	-	-	-	(4,443,871)	(4,443,871)
Balance, December 31, 2017	177,736,675	\$ 26,186,684	\$ 421,796	\$ 4,797,541	\$ (1,259,678)	\$ (21,395,878)	\$ 8,750,465
Private placement shares issued	37,916,667	3,018,950	-	-	-	-	3,018,950
Financing issuance costs		(109,791)	-	-	-	-	(109,791)
Fair value of finder's warrants		(72,558)	-	72,558	-	-	-
Ziploop acquisition shares issued (Note 10)	10,510,562	500,000	-	-	-	-	500,000
Stock-based compensation	-	-	-	257,313	-	-	257,313
Cumulative translation adjustment	-	-	-	-	(43,099)	-	(43,099)
Net loss for the year	-	-	-	-	-	(3,096,169)	(3,096,169)
Balance, December 31, 2018	226,163,904	\$ 29,523,285	\$ 421,796	\$ 5,127,412	\$ (1,302,777)	\$ (24,492,047)	\$ 9,277,669

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

## 1 NATURE OF OPERATIONS

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

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

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

The registered address, head office, principal address and records office of the Company are located at 530 Richmond St West, Rear Lower Level, Toronto, Ontario, M5V 1K4, Canada.

The consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 2019.

The Company has a working capital surplus of \$1,189,922 (2017 - \$219,162), a net loss of \$3,096,169, accumulated deficit of \$24,492,047 and positive cash flows from operations of \$314,618. 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.

## 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, 2018.

### Basis of presentation

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

### Basis of consolidation

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

**2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Equipment**

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

Office equipment	3-5 years	Straight-line
Computer equipment	3-5 years	Straight-line

**Intangible Assets**

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

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

Software platform

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.

Acquired intellectual property

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

Acquired customer relationships

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

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

### Acquired music label contracts

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

### Critical judgement and accounting estimates

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

- i) The recoverability of accounts receivable and the expected credit loss allowance that are included in the consolidated statements of financial position are based on historical collection of receivables.
- ii) The inputs used in accounting for share-based payments expense included in profit and loss calculated using the Black-Scholes option pricing model (Note 9).
- iii) The carrying value of intangible assets (capitalized software development, customer relationships, intellectual property and music label contracts) that are included in the consolidated statements of financial position are based on management assessments of the recoverable amount of the asset. As well, management estimates on the capitalized costs that are directly attributable to the development of the intangible asset (Note 6).
- iv) The 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 8, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model as disclosed in Note 8.
- v) The carrying value of goodwill and intangibles acquired from acquisitions and estimates on any assumptions underlying the analysis of impairment.
- vi) The purchase price allocation corresponding to completed acquisitions and the related contingent considerations (Note 10).

### **Revenue from contracts with customers**

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

**2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Revenue from contracts with customers (cont'd...)**

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

**Arrangements with multiple deliverables**

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

**Business combinations**

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

**Income taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss. 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 (cont'd...)**

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

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

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

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

**Financial instruments**

The Company adopted IFRS 9 on January 1, 2018. IFRS 9 set out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 largely retained the existing requirements in IAS 39 for the classification and measurement of financial liabilities and the adoption of IFRS 9 has not had a significant effect on our accounting policies related to financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or at amortized cost. In addition, the standard amended some of the requirements of IFRS 7, Financial Instruments: Disclosures, including the requirement for added disclosures about investments in equity instruments measured at FVOCI and guidance on financial liabilities and derecognition of financial instruments. The Company adopted the standard on January 1, 2018. Retrospective application was required, but there was no requirement to restate comparative periods disclosed.

**2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments (cont'd...)**

(a) Classification

The following summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

Measurement Categories	IAS 39	IAS 9
Financial instruments:		
Cash	FVTPL	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Deposits and prepaid assets	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Working capital line of credit	Other financial liabilities	Amortized cost

The Company determined the modifications made did not result in a material difference under the new classification of IFRS 9.

(b) Measurement

Financial assets

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income.

Financial assets at amortized cost

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

Financial assets at FVTPL

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

Financial liabilities

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

Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, where appropriate, a shorter period. The Company's trade and other payables, dues to related parties, and working capital line of credit are classified as amortized cost.

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

### Financial instruments (cont'd...)

#### (c) Impairment of financial assets at amortized cost

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

The adoption of the expected credit loss impairment model under IFRS 9 had no material impact on the carrying amounts of our financial assets on the transition date given the financial assets measured at amortized cost are composed of cash and accounts receivable and no impairment has been recognized at the report date.

### Impairment

#### Financial assets

Under IFRS 9, 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 definite-life non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment 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.

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

### Impairment

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

### Loss per share

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

### Share-based payments

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

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

### Adoption of accounting standards

Effective January 1, 2018, the Company adopted IFRS 9 which 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. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Effective January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improves guidance for multiple-element arrangements. Adoption of this standard did not have a material effect on the Company's consolidated financial statements and related disclosures.

### Recent accounting pronouncements

IFRS 16, "Leases", will be effective for annual periods beginning on or after January 1, 2019. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on balance sheet for lessees. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning January 1, 2019 and has determined there will be no material impact on the consolidated financial statements upon adoption of IFRS 16.

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**3 CASH**

Cash in the consolidated financial statements of financial position comprise of cash deposits held in financial institutions. The balance at December 31, 2018 consists of cash on deposit with major Canadian and US banks.

	December 31, 2018	December 31, 2017
Cash on deposit	\$ 1,594,429	\$ 386,630
<b>Total</b>	<b>\$ 1,594,429</b>	<b>\$ 386,630</b>

**4 SEGMENTED INFORMATION**

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

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

*Geographic information*

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

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

	December 31, 2018	December 31, 2017
United States	\$ 4,978,846	\$ 5,950,539
Ireland	1,281,621	1,386,645
International	1,827,280	1,194,119
<b>Total</b>	<b>\$ 8,087,747</b>	<b>\$ 8,531,303</b>

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, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
United States	\$ 9,588,256	\$ 10,915,948	\$ 9,134,602
Ireland	1,387,842	838,422	855,846
International	1,175,188	1,124,649	1,233,279
<b>Total</b>	<b>\$ 12,151,286</b>	<b>\$ 12,879,019</b>	<b>\$ 11,223,727</b>

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**5 EQUIPMENT**

December 31, 2018									
	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the period	Closing depreciation balance	Net book value	
Office Equipment	\$ 18,026	\$ -	\$ -	\$ 18,026	\$ 14,729	\$ 431	\$ 15,160	\$ 2,866	
Computer Equipment	<u>181,077</u>	<u>7,725</u>	<u>-</u>	<u>188,802</u>	<u>118,045</u>	<u>30,204</u>	<u>148,249</u>	<u>40,553</u>	
	\$ 199,103	\$ 7,725	\$ -	\$ 206,828	\$ 132,774	\$ 30,635	\$ 163,409	\$ 43,419	

December 31, 2017

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the period	Closing depreciation balance	Net book value	
Office Equipment	\$ 18,026	\$ -	\$ -	\$ 18,026	\$ 10,353	\$ 4,376	\$ 14,729	\$ 3,297	
Computer Equipment	<u>174,762</u>	<u>6,315</u>	<u>-</u>	<u>181,077</u>	<u>76,596</u>	<u>41,449</u>	<u>118,045</u>	<u>63,032</u>	
	\$ 192,788	\$ 6,315	\$ -	\$ 199,103	\$ 86,949	\$ 45,825	\$ 132,774	\$ 66,329	

**6 INTANGIBLE ASSETS**

December 31, 2018

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the period	Closing amortization balance	Net book value	
Software platform	\$ 4,499,350	\$ 1,006,995	\$ -	\$ 5,506,345	\$ 1,606,831	\$ 1,018,645	\$ 2,625,476	\$ 2,880,869	
Intellectual property	2,495,000	525,000	-	3,020,000	1,301,333	498,996	1,800,329	1,219,671	
Customer relationships	1,195,000	-	-	1,195,000	633,008	239,004	872,012	322,988	
Music label contracts	<u>980,000</u>	<u>-</u>	<u>-</u>	<u>980,000</u>	<u>506,333</u>	<u>195,996</u>	<u>702,329</u>	<u>277,671</u>	
	\$ 9,169,350	\$ 1,531,995	\$ -	\$ 10,701,345	\$ 4,047,505	\$ 1,952,641	\$ 6,000,146	\$ 4,701,199	

December 31, 2017

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the period	Closing amortization balance	Net book value	
Software platform	\$ 3,147,753	\$ 1,351,597	\$ -	\$ 4,499,350	\$ 826,496	\$ 780,335	\$ 1,606,831	\$ 2,892,519	
Intellectual property	2,495,000	-	-	2,495,000	802,333	499,000	1,301,333	1,193,667	
Customer relationships	1,195,000	-	-	1,195,000	394,004	239,004	633,008	561,992	
Music label contracts	<u>980,000</u>	<u>-</u>	<u>-</u>	<u>980,000</u>	<u>310,333</u>	<u>196,000</u>	<u>506,333</u>	<u>473,667</u>	
	\$ 7,817,753	\$ 1,351,597	\$ -	\$ 9,169,350	\$ 2,333,166	\$ 1,714,339	\$ 4,047,505	\$ 5,121,845	

**7 RELATED PARTY TRANSACTIONS**

The related parties of the Company are key management personnel and officers. Related party transactions not disclosed elsewhere included in expenses for the years ended December 31, 2018, 2017 and 2016 are salaries and compensation of \$968,307, \$1,271,764 and \$1,942,912, respectively, charged by officers and key management personnel of the Company. At December 31, 2018, \$77,244 was due to officers and directors (2017 - \$44,972). 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. During the year ended December 31, 2018, related parties received stock-based compensation of \$94,834 (2017 - \$267,252 and 2016 - \$743,525).

**8 DERIVATIVE LIABILITY**

The derivative liability is a non-cash liability that is not associated with any form of debt or convertible instrument. 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 was the U.S. dollar at the time of these issuances. 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.

	Financing Warrants
Balance, December 31, 2015	\$ 55,000
	(31,834)
Value of exercised warrants	(23,166)
Balance, December 31, 2016, 2017 and 2018	\$ -

The following assumptions were used for the Black-Scholes derivative liability valuation of the Financing warrants during 2016:

	Financing warrants <sup>(1)</sup>	Financing warrants <sup>(2)</sup>
Risk-free interest rate	0.43%	0.43%
Expected life of warrants	0.00 years	0.00 years
Annualized volatility	125%	125%
Dividend rate	0.00%	0.00%

<sup>(1)</sup> 3,175,000 financing warrants issued on January 24, 2014

<sup>(2)</sup> 1,200,000 financing warrants issued on December 31, 2013

## 9 CAPITAL STOCK

### Authorized

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

### Share issuances

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

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

### Stock options

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

**9 CAPITAL STOCK** (cont'd...)

**Stock options** (cont'd...)

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

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

In fiscal 2016, the Company recognized stock-based compensation expense of \$1,117,642 corresponding to the vesting of stock options that were granted during the year ended December 31, 2016 and stock options that were granted during the year ended December 31, 2015. The options granted will be vested in current and future periods. In fiscal 2016, the Company granted 1,446,180 options on February 9, 2016, 2,100,000 options on February 11, 2016, 610,000 options on February 12, 2016, and 356,000 options on December 15, 2016. The options granted in February 2016 have an exercise price of C\$0.38 and the options granted in December 2016 have an exercise price of C\$0.15. All options granted in fiscal 2016 have a five year expiry date from the date of grant. The options were valued at \$271,742, \$459,851, \$91,051, and \$32,476 respectively. The following assumptions were used for the Black-Scholes valuation of options granted in fiscal 2016 (Risk-free interest rate: 0.37% - 0.47%; expected life of option: 5.0 years; annualized volatility: 125%; dividend rate: 0.00%). All stock options have been granted in Canadian dollars. Certain shares issued in connection with the acquisition of Hip Digital Media Inc. during fiscal 2016 resulted in an amount of \$191,484 expensed to stock-based compensation with a corresponding amount being an addition to common shares. All stock options have been granted in Canadian dollars.

Stock option activity is presented below:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price C\$</b>
Outstanding, December 31, 2016	13,486,235	0.37
Exercised	(200,000)	0.10
Cancelled	(4,381,297)	0.54
Granted	6,446,000	0.10
Expired	(725,000)	0.19
Outstanding, December 31, 2017	14,625,938	0.27
Cancelled	(1,478,766)	0.18
Granted	3,876,000	0.10
Expired	(1,750,000)	0.11
Outstanding, December 31, 2018	15,273,172	0.25

**9 CAPITAL STOCK** (cont'd...)

**Stock options** (cont'd...)

The weighted average remaining life of the stock options outstanding is 2.95 years as at December 31, 2018. As at December 31, 2018, the following stock options are outstanding and exercisable:

<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>	<b>Exercise Price C\$</b>	<b>Expiry Date</b>
200,000	200,000	\$0.11	10-Apr-19
50,000	50,000	\$0.19	11-Aug-19
100,000	100,000	\$0.25	10-Sep-19
200,000	200,000	\$0.34	06-Nov-19
175,000	175,000	\$0.33	26-Nov-19
1,250,000	1,250,000	\$0.55	29-Dec-19
410,000	410,000	\$0.68	09-Feb-20
25,000	25,000	\$0.65	26-Mar-20
100,000	100,000	\$0.68	08-Jun-20
814,258	814,258	\$0.41	09-Jul-20
445,000	445,000	\$0.41	13-Aug-20
85,000	85,000	\$0.41	15-Sep-20
200,000	200,000	\$0.44	05-Oct-20
200,000	200,000	\$0.47	14-Oct-20
400,000	400,000	\$0.46	19-Oct-20
0	0	\$0.45	22-Oct-20
60,000	60,000	\$0.42	10-Nov-20
2,080,580	1,387,053	\$0.38	09-Feb-21 to 12-Feb-21
71,667	47,778	\$0.15	15-Dec-21
4,030,667	-1,343,555	\$0.10	13-Jun-22 to 16-Jun-22
500,000	166,667	\$0.10	01-Nov-22
350,000	-	\$0.065	14-Sep-23
3,526,000	-	\$0.10	26-Oct-23
<b>15,273,172</b>	<b>7,659,311</b>		

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9 CAPITAL STOCK (cont'd...)

Warrants

	Equity Classification		Liability Classification	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, December 31, 2015	25,408,646	0.37	258,000	C\$0.15
Exercised – Financing warrants	-	-	(158,000)	C\$0.15
Expired – Financing warrants	-	-	(100,000)	C\$0.15
Outstanding, December 31, 2016	25,408,646	0.37	-	-
Expired – Financing warrants	(11,492,158)	0.63	-	-
Expired – Financing warrants	(7,727,800)	0.20	-	-
Outstanding, December 31, 2017	6,188,688	0.13	-	-
Expired – Financing warrants	(6,188,688)	0.13	-	-
Outstanding, December 31, 2018	-	-	-	-

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

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

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

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

As at December 31, 2018 the following Finder's Warrants are outstanding:

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

## 10 ACQUISITION OF ZIPLOOP ASSETS

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

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

Exclusivity payment	\$ 25,000
Purchase price based on issuance of Shares	500,000
Consideration Payable	<u>\$ 525,000</u>

The Company’s purchase price allocation is as follows:

Intellectual Property	<u>\$ 525,000</u>
	<u>\$ 525,000</u>

## 11 SUPPLEMENTAL DISCLOSURE REGARDING CASH FLOWS

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Cash paid during the year for interest	8,236	93,583	5,514
Cash paid during the year for income taxes	44,070	43,484	-
Transactions not involving cash:			
Fair value of acquisition consideration payable in equity (Note 10)	500,000	-	-
Fair value of warrants exercised	-	-	22,695

## 12 CAPITAL MANAGEMENT

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

## 13 COMMITMENT

The Company has leased office space in the US, Canada and Ireland. The remaining terms of the leases in the various locations range from 1 to 2 years. Future remaining minimum lease payments as at December 31, 2018 are as follows:

2019	\$ 137,620
2020	<u>30,902</u>
	<u>\$ 168,522</u>

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**14 FINANCIAL INSTRUMENTS**

**Fair value**

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

The carrying value of accounts receivable excluding sales tax, due to related parties, accounts payable and accrued liabilities and working capital line of credit approximate their fair value because of the short-term nature of these instruments while cash is valued using a level 1 fair value measurement.

	December 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fair value through profit and loss – assets	\$1,594,429	\$1,594,429	\$386,630	\$386,630
Fair value through profit and loss – liabilities	-	-	-	-
	\$1,594,429	\$1,594,429	\$386,630	\$386,630

**Financial risk factors**

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

*Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and accounts receivable excluding sales tax. The Company places its cash with major financial institutions to limit risk from cash. The maximum exposure to credit risk is equal to the fair value or carrying value of the related financial assets. The Company's receivables consist of amounts due from customers. Some customers settle their accounts past normal trade terms and in cases where amounts become uncollectible the Company recognizes bad debt expense to write off the uncollectible amounts. At December 31, 2018, the Company had \$155,976 (December 31, 2017 - \$490,039) in amounts due from customers greater than 90 days and during fiscal 2018 recognized bad debt expense of \$37,194 (2017 - \$226,085 and 2016 - \$51,410).

*Liquidity risk*

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

**14 FINANCIAL INSTRUMENTS (cont'd...)**

In Fiscal 2016, the Company secured a four-million-dollar credit facility with Silicon Valley Bank. The credit facility was an accounts receivable line of credit to provide the Company with additional working capital and was secured by the Company's accounts receivable and intellectual property, consisting of all recognized and unrecognized intangible assets. As at December 31, 2017, the Company had drawn on \$933,159 of the credit facility. The credit facility had a maturity date of November 22, 2017, which was extended to February 28, 2018 and was fully repaid on March 2, 2018. The credit facility bore interest at a range of prime plus 1.25% to 2.5%. During the year ended December 31, 2018, the Company incurred \$8,236 in interest expense and during the year ended December 31, 2017, the Company incurred \$93,583 in interest expense. The Company announced on May 31, 2018 that it secured a two-million-dollar credit facility with Bridge Bank. The credit facility is an accounts receivable line of credit to provide the Company with additional working capital and is secured by the Company's accounts receivable and intellectual property, consisting of all recognized and unrecognized intangible assets. As at December 31, 2018, the Company had not drawn on the credit facility. The credit facility bears interest at prime plus 1.75%.

*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 \$16,000 (2017 - \$9,000).

*b) Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2018, the Company held cash as well as accounts payable and accrued liabilities denominated in the Canadian dollar, European Euro, Swiss Franc, and Indian Rupee and considers foreign currency risk low. The majority of the Company's foreign currency amounts are held in Canadian dollars. A plus or minus 1% change in Canadian foreign exchange rates would affect profit or loss and comprehensive profit or loss by less than \$1,000 (2017 - \$1,000).

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

	December 31, 2018 C\$	December 31, 2017 C\$
Cash and cash equivalents	73,202	135,049
Accounts receivable	257,492	390,017
Accounts payable and accrued liabilities	(653,150)	(770,108)
<b>Total</b>	<b>(322,456)</b>	<b>(245,042)</b>

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**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 the combined Canadian federal and provincial statutory income tax rate of 27% (2017 - 26%) to the effective tax rate is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Net loss before income taxes	\$ (3,052,099)	\$ (4,400,387)	\$ (8,510,866)
Expected income tax recovery at statutory rates	(824,070)	(1,144,101)	(2,212,825)
Effect on income taxes of:			
Difference in foreign tax rates	-	118,040	(160,578)
Tax rate changes and adjustments	67,620	1,414,049	(32,871)
Prior year true-ups	40,540	(322,023)	-
Share based compensation and non-deductible expenses	142,490	212,376	461,925
Share issuance cost booked directly to equity	(49,230)	-	-
Foreign exchange rate translation adjustments	42,670	(175,106)	-
Utilization of losses not previously recognized	-	(123,309)	(13,261)
Change in tax benefits not recognized	623,980	63,558	2,019,466
<b>Income tax expense</b>	<b>\$ 44,000</b>	<b>\$ 43,484</b>	<b>\$ 61,856</b>

The following table summarizes the components of deferred tax:

	December 31, 2018	December 31, 2017	December 31, 2016
<b>Deferred tax assets:</b>			
Non-Capital Losses Carried Forward	\$ 206,770	\$ 547,512	\$ 1,380,983
<b>Deferred tax liabilities:</b>			
Equipment and intangible assets	(200,230)	(547,512)	(1,373,186)
Reserves	(6,540)		
Note Payable	-	-	(7,797)
	(206,770)	(547,512)	(1,380,983)

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**15 INCOME TAXES (cont'd...)**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2018	December 31, 2017	December 31, 2016
Deferred tax assets:			
Other temporary differences	-	16,390	74,838
Equipment	1,463,307	1,408,601	1,318,118
Intangible assets		-	1,682
Share issuance and financing costs	381,882	458,062	630,643
Non-capital loss carry forwards	30,859,380	27,863,262	22,166,482
	<u>32,704,569</u>	<u>29,746,315</u>	<u>24,191,763</u>

The Canadian non-capital loss carry forwards and U.S. net operating loss expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses and U.S. net operating loss expire as follows:

Year	Canada	Year	USA
2026	490,564		
2027	1,907,403	2027	199,910
2028	2,841,757	2028	673,928
2029	262,867	2029	598,993
2030	165,498	2030	25,283
2031	419,548	2031	402,231
2032	297,169	2032	629,700
2033	596,429	2033	3,026,357
2034	400,832	2034	1,170,579
2035	2,164,352	2035	2,208,775
2036	2,583,732	2036	3,578,722
2037	2,262,817	2037	274,818
2038	2,334,845	2038	-
	<u>16,727,813</u>		<u>12,789,296</u>

## **Signature Page**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Snipp Interactive Inc.**  
Registrant

**Dated: May 14, 2019**

**Signed: /s/ "Atul Sabharwal"**  
**Atul Sabharwal**  
**Chief Executive Officer**