

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
ASSETS			
Current			
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		716,877	498,151
		<u>4,689,977</u>	<u>4,700,059</u>
Equipment	(Note 5)	43,419	66,329
Intangible assets	(Note 6)	4,701,199	5,121,845
Goodwill		<u>3,343,129</u>	<u>3,343,129</u>
		<u>\$ 12,777,724</u>	<u>\$ 13,231,362</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
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)	-	933,159
		<u>3,500,055</u>	<u>4,480,897</u>
Shareholders' equity			
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>
		<u>9,277,669</u>	<u>8,750,465</u>
		<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

"Sarfaraz Haji" Director
Sarfaraz 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
REVENUE	\$ 12,151,286	\$ 12,879,019	\$ 11,223,727
EXPENSES			
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 intangible assets (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 (Notes 7 & 9)	257,313	560,093	1,117,642
	<u>15,189,500</u>	<u>17,120,322</u>	<u>20,276,458</u>
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	(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)
Net loss for the year	(3,096,169)	(4,443,871)	(8,572,722)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to loss			
Cumulative translation adjustment	(43,099)	139,930	(365,198)
Comprehensive loss for the year	\$ (3,139,268)	\$ (4,303,941)	\$ (8,937,920)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.03)	\$ (0.07)
Weighted average number of common shares outstanding – basic and diluted	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
CASH FLOWS FROM OPERATING ACTIVITIES			
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	314,618	(3,075,203)	(6,774,050)
CASH FLOWS FROM INVESTING ACTIVITIES			
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	(1,039,720)	(1,357,912)	(2,537,234)
CASH FLOWS FROM FINANCING ACTIVITIES			
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	1,976,000	2,304,196	7,234,442
Effect of exchange rate changes on cash	(43,099)	139,930	(244,156)
Change in cash for the year	1,207,799	(1,988,989)	\$ (2,320,998)
Cash and cash equivalents, beginning of year	386,630	2,375,619	4,696,617
Cash and cash equivalents, end of year	\$ 1,594,429	\$ 386,630	\$ 2,375,619

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	IFRS 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
Total	\$ 1,594,429	\$ 386,630

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
Total	\$ 8,087,747	\$ 8,531,303

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
Total	\$ 12,151,286	\$ 12,879,019	\$ 11,223,727

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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 year	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 ⁽¹⁾	Financing warrants ⁽²⁾
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%

⁽¹⁾ 3,175,000 financing warrants issued on January 24, 2014

⁽²⁾ 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:	Number of	Weighted Average
	Options	Exercise Price C\$
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

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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:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price C\$	Expiry Date
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
15,273,172	7,659,311		

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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	Number of Shares	Average Exercise Price 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	\$	525,000

The Company’s purchase price allocation is as follows:

Intellectual Property	\$	525,000
	\$	525,000

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		30,902
	\$	168,522

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.

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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)
Total	(322,456)	(245,042)

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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
Income tax expense	\$ 44,000	\$ 43,484	\$ 61,856

The following table summarizes the components of deferred tax:

	December 31, 2018	December 31, 2017	December 31, 2016
Deferred tax assets:			
Non-Capital Losses Carried Forward	\$ 206,770	\$ 547,512	\$ 1,380,983
Deferred tax liabilities:			
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>