

SNIPP INTERACTIVE INC.

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the period ended September 30, 2020.

SNIPP INTERACTIVE INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in U.S. Dollars)

(Unaudited)

As at

		September 30, 2020	December 31, 2019
ASSETS			
Current			
Cash	(Note 3)	\$ 1,370,194	\$ 848,719
Accounts receivable, net of expected credit loss of \$60,875 (2019 - \$60,875)		2,449,461	2,079,074
Deposits, prepaid expenses and other assets		357,655	435,627
		4,177,310	3,363,420
Equipment	(Note 5)	18,165	21,771
Intangible assets	(Note 6)	2,699,717	3,397,698
		\$ 6,895,192	\$ 6,782,889
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 2,675,844	\$ 2,532,698
Deferred revenue		2,415,985	1,786,935
Due to related parties	(Note 7)	32,657	49,255
Loan - Payroll Protection Program	(Note 12)	294,400	-
		5,418,886	4,368,888
Shareholders' equity			
Common shares	(Note 8)	29,621,734	29,523,285
Warrants	(Note 8)	421,796	421,796
Contributed surplus	(Note 8)	5,325,239	5,279,305
Deficit		(32,596,149)	(31,513,819)
Accumulated other comprehensive loss		(1,296,314)	(1,296,566)
		1,476,306	2,414,001
		\$ 6,895,192	\$ 6,782,889

Approved and authorized by the Board of Directors on October 28, 2020.

"Atul Sabharwal" Director
Atul Sabharwal

"Sarfaraz Haji" Director
Sarfaraz Haji

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

SNIPP INTERACTIVE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in U.S. Dollars)

(Unaudited)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
REVENUE	\$ 2,132,521	\$ 2,011,647	\$ 6,511,414	\$ 7,294,070
EXPENSES				
Salaries and compensation (Note 7)	1,306,782	1,526,840	3,792,091	4,587,244
General and administrative	101,887	208,539	384,022	636,096
Campaign infrastructure	568,374	468,082	1,895,844	1,748,684
Professional fees	36,734	17,783	223,128	180,367
Marketing and investor relations	11,752	33,394	17,224	190,829
Travel	24	15,541	12,564	74,300
Bad debt expense	-	-	-	91,639
Amortization of intangibles (Note 6)	331,493	545,165	1,256,788	1,608,563
Depreciation of equipment (Note 5)	3,417	6,133	13,690	20,268
Stock-based compensation (Note 8)	11,810	32,645	45,934	130,153
	<u>2,372,273</u>	<u>2,854,122</u>	<u>7,641,285</u>	<u>9,268,143</u>
Net loss before interest, foreign exchange, other income and taxes	(239,752)	(842,475)	(1,129,871)	(1,974,073)
Interest expense	(2,997)	-	(12,489)	(149)
Foreign exchange loss	(670)	(13,011)	(11,819)	(31,889)
Other income (Note 12)	32,451	-	100,696	-
Net loss before tax provision	(210,968)	(855,486)	(1,053,483)	(2,006,111)
Provision for taxes	(655)	-	(28,847)	(4,368)
Net loss for the period	(211,623)	(855,486)	(1,082,330)	(2,010,479)
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to loss				
Cumulative translation adjustment	64,693	67,159	252	28,990
Comprehensive loss for the period	\$ (146,930)	\$ (788,327)	\$ (1,082,078)	\$ (1,981,489)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	230,026,223	226,163,904	227,460,741	226,163,904

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

SNIPP INTERACTIVE INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. Dollars)

(Unaudited)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,082,330)	\$ (2,010,479)
Items not involving cash:		
Amortization of intangibles	1,256,788	1,608,563
Depreciation of equipment	13,690	20,268
Stock-based compensation	45,934	130,153
Changes in non-cash working capital items:		
Accounts receivable	(370,387)	(163,472)
Deposits, prepaid expenses and other assets	77,972	333,148
Accounts payable and accrued liabilities	241,595	(485,878)
Deferred revenue	629,050	357,256
Due to related parties	(16,598)	(46,678)
Net cash flows generated by (used in) operating activities	<u>795,714</u>	<u>(257,119)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to equipment	(9,439)	(10,706)
Additions to intangible assets	(565,825)	(688,735)
Net cash flows used in investing activities	<u>(575,264)</u>	<u>(699,441)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Payroll Protection Program loan	294,400	-
Proceeds (repayment) of working capital line of credit	-	221,187
Net cash flows provided by financing activities	<u>294,400</u>	<u>221,187</u>
Effect of exchange rate changes on cash	<u>6,625</u>	<u>(56,114)</u>
Change in cash for the period	521,475	(791,487)
Cash and cash equivalents, beginning of period	<u>848,719</u>	<u>1,594,429</u>
Cash and cash equivalents, end of period	<u>\$ 1,370,194</u>	<u>\$ 802,942</u>

Supplemental disclosure regarding cash flows (Note 9)

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

SNIPP INTERACTIVE INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in U.S. Dollars)

(Unaudited)

	Common Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
Balance, December 31, 2018	226,163,904	\$ 29,523,285	\$ 421,796	\$ 5,127,412	\$ (1,302,777)	\$ (24,492,047)	\$ 9,277,669
Stock-based compensation	-	-	-	130,153	-	-	130,153
Cumulative translation adjustment	-	-	-	-	28,990	-	28,990
Net loss for the period	-	-	-	-	-	(2,010,479)	(2,010,479)
Balance, September 30, 2019	226,163,904	\$ 29,523,285	\$ 421,796	\$ 5,257,565	\$ (1,273,787)	\$ (26,502,526)	\$ 7,426,333
Stock-based compensation	-	-	-	21,740	-	-	21,740
Cumulative translation adjustment	-	-	-	-	(22,779)	-	(22,779)
Net loss for the period	-	-	-	-	-	(5,011,293)	(5,011,293)
Balance, December 31, 2019	226,163,904	\$ 29,523,285	\$ 421,796	\$ 5,279,305	\$ (1,296,566)	\$ (31,513,819)	\$ 2,414,001
Debt settlement	8,666,667	98,449	-	-	-	-	98,449
Stock-based compensation	-	-	-	45,934	-	-	45,934
Cumulative translation adjustment	-	-	-	-	252	-	252
Net loss for the period	-	-	-	-	-	(1,082,330)	(1,082,330)
Balance, September 30, 2020	234,830,571	\$ 29,621,734	\$ 421,796	\$ 5,325,239	\$ (1,296,314)	\$ (32,596,149)	\$ 1,476,306

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

SNIPP INTERACTIVE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

(Unaudited)

September 30, 2020

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 condensed interim consolidated financial statements, references to “\$” are to U.S. dollars.

These condensed interim 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 Suite 1700, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8, Canada.

The condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on October 28, 2020.

The Company has a working capital deficiency of \$1,241,576 (December 31, 2019: working capital deficiency of \$1,005,468), a net loss of \$1,082,330, accumulated deficit of \$32,596,149 and positive cash flows from operations of \$795,714. Management is of the opinion that sufficient working capital is available from its accounts receivable line of credit 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 unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (IAS 34), as issued by the International Accounting Standards Board (IASB). These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2019 (December 31, 2019 consolidated financial statements) filed on SEDAR on April 29, 2020. All defined terms used herein are consistent with those terms defined in the December 31, 2019 consolidated financial statements.

Basis of presentation

The condensed interim 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 condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

These condensed interim 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 AG, which was incorporated in Switzerland, Hip Digital, 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...)

Critical judgement and accounting estimates

The preparation of these condensed interim 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 condensed interim 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 8).
- 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 carrying value of goodwill and intangibles acquired from acquisitions and estimates on any assumptions underlying the analysis of impairment.
- v) The purchase price allocation corresponding to completed acquisitions.

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.

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

Adoption of accounting standards

Effective January 1, 2019, the Company adopted IFRS 16, "Leases", using the modified approach. The most significant change introduced by IFRS 16 is a single lessee accounting model, bringing leases on to the statement of financial position for lessees. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

The Company is a party to lease contracts for office space. Leases are recognized, measured and presented in line with IFRS 16. The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions for short term leases and for leases for which the underlying asset is of low value. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At the inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Based on the accounting policy applied the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which the lessor makes an underlying asset available for use by a lessee. Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases even though the initial term from lease commencement have been more than twelve months.

Effective January 1, 2019, the Company adopted IFRIC 23, which clarifies how to apply the recognition and measurement requirements of IAS 12 - Income Taxes for taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates to determine current or deferred tax asset or liability when there is uncertainty over income tax treatments. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

SNIPP INTERACTIVE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

(Unaudited)

September 30, 2020

3 CASH

	September 30, 2020	December 31, 2019
Cash on deposit	\$ 1,370,194	\$ 848,719
Total	\$ 1,370,194	\$ 848,719

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:

	September 30, 2020	December 31, 2019
United States	\$ 472,797	\$ 799,747
Ireland	901,682	960,401
International	1,343,403	1,659,321
Total	\$ 2,717,882	\$ 3,419,469

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
United States	\$ 1,815,225	\$ 1,400,986	\$ 5,581,499	\$ 4,758,511
Ireland	124,375	510,117	472,769	2,041,723
International	192,921	100,544	457,146	493,836
Total	\$ 2,132,521	\$ 2,011,647	\$ 6,511,414	\$ 7,294,070

SNIPP INTERACTIVE INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

(Unaudited)

September 30, 2020

5 EQUIPMENT

September 30, 2020

	Opening cost balance	Additions	Impairment	Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the period	Closing depreciation balance	Foreign exchange adjustment	Net book value
Office Equipment	\$ 18,026	\$ -	\$ -	\$ -	\$ 18,026	\$ 16,816	\$ 812	\$ 17,628	\$ -	\$ 398
Computer Equipment	193,572	9,439	-	-	203,011	172,866	12,878	185,744	500	17,767
	\$ 211,598	\$ 9,439	\$ -	\$ -	\$ 221,037	\$ 189,682	\$ 13,690	\$ 203,372	\$ 500	\$ 18,165

December 31, 2019

	Opening cost balance	Additions	Impairment	Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the period	Closing depreciation balance	Foreign exchange adjustment	Net book value
Office Equipment	\$ 18,026	\$ -	\$ -	\$ -	\$ 18,026	\$ 15,160	\$ 1,656	\$ 16,816	\$ -	\$ 1,210
Computer Equipment	188,802	4,770	-	-	193,572	148,249	24,617	172,866	(145)	20,561
	\$ 206,828	\$ 4,770	\$ -	\$ -	\$ 211,598	\$ 163,409	\$ 26,273	\$ 189,682	\$ (145)	\$ 21,771

6 INTANGIBLE ASSETS

September 30, 2020

	Opening cost balance	Additions	Impairment	Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the period	Closing amortization balance	Foreign exchange adjustment	Net book value
Software platform	\$ 6,375,555	\$ 565,825	\$ -	\$ -	\$ 6,941,380	\$ 3,720,781	\$ 898,689	\$ 4,619,470	\$ 76,174	\$ 2,398,084
Intellectual property	3,020,000	-	-	-	3,020,000	2,430,828	274,216	2,705,044	(13,323)	301,633
Customer relationships	1,195,000	-	-	-	1,195,000	1,111,117	83,883	1,195,000	-	-
Music label contracts	898,407	-	-	-	898,407	898,407	-	898,407	-	-
	\$ 11,488,962	\$ 565,825	\$ -	\$ -	\$ 12,054,787	\$ 8,161,133	\$ 1,256,788	\$ 9,417,921	\$ 62,851	\$ 2,699,717

December 31, 2019

	Opening cost balance	Additions	Impairment	Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the period	Closing amortization balance	Foreign exchange adjustment	Net book value
Software platform	\$ 5,506,345	\$ 869,210	\$ -	\$ -	\$ 6,375,555	\$ 2,599,226	\$ 1,121,555	\$ 3,720,781	\$ 71,949	\$ 2,726,723
Intellectual property	3,020,000	-	-	-	3,020,000	1,826,579	604,249	2,430,828	(2,493)	586,679
Customer relationships	1,195,000	-	-	-	1,195,000	872,012	239,105	1,111,117	413	84,296
Music label contracts	980,000	-	81,593	-	898,407	702,329	196,078	898,407	-	-
	\$ 10,701,345	\$ 869,210	\$ 81,593	\$ -	\$ 11,488,962	\$ 6,000,146	\$ 2,160,987	\$ 8,161,133	\$ 69,869	\$ 3,397,698

SNIPP INTERACTIVE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

(Unaudited)

September 30, 2020

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 three months ended September 30, 2020 and 2019 are salaries and compensation of \$190,057 and \$247,590, respectively, charged by officers and key management personnel of the Company. Related party transactions not disclosed elsewhere included in expenses for the nine months ended September 30, 2020 and 2019 are salaries and compensation of \$607,381 and \$662,970, respectively, charged by officers and key management personnel of the Company. At September 30, 2020, \$32,657 was due to officers and directors (2019 - \$49,255). The amounts due to related parties represent unpaid salaries and compensation and unpaid expenses. The amounts are non-interest bearing, unsecured and have no specified terms of repayment.

8 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 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.

SNIPP INTERACTIVE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

(Unaudited)

September 30, 2020

8 CAPITAL STOCK (cont'd...)

Stock options (cont'd...)

During the period ended September 30, 2020, the Company recognized stock-based compensation expense of \$45,934 corresponding to the vesting of stock options that were granted during current and prior periods. In fiscal 2019, the Company recognized stock-based compensation expense of \$151,893 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. 3,519,000 options granted remain to be vested in future periods.

Stock option activity is presented below:

	Number of Options	Weighted Average Exercise Price C\$
Outstanding, December 31, 2018	15,273,172	0.25
Cancelled	(1,367,533)	0.27
Expired	(1,825,000)	0.44
Outstanding, December 31, 2019	12,080,639	0.22
Cancelled	(525,501)	0.24
Granted	1,085,000	0.05
Expired	(2,822,258)	0.34
Outstanding, September 30, 2020	9,817,880	0.16

The weighted average remaining life of the stock options outstanding is 2.24 years as at September 30, 2020. As at September 30, 2020, the following stock options are outstanding and exercisable:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price C\$	Expiry Date
		\$0.41	09-Jul-20
		\$0.41	13-Aug-20
		\$0.41	15-Sep-20
200,000	200,000	\$0.44	05-Oct-20
		\$0.465	14-Oct-20
400,000	400,000	\$0.46	19-Oct-20
60,000	60,000	\$0.42	10-Nov-20
1,592,880	1,592,880	\$0.38	09-Feb-21 to 12-Feb-21
30,000	30,000	\$0.15	15-Dec-21
2,674,000	2,674,000	\$0.10	13-Jun-22 to 16-Jun-22
250,000	166,667	\$0.065	14-Sep-23
3,526,000	1,175,333	\$0.10	26-Oct-23
585,000	0	\$0.05	08-Jun-25
500,000	0	\$0.05	31-Aug-25
9,817,880	6,298,880		

SNIPP INTERACTIVE INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars)

(Unaudited)

September 30, 2020

8 CAPITAL STOCK (cont'd...)

Finder's Warrants	Number of Shares	Weighted Average Exercise Price C\$
Outstanding, December 31, 2017	-	-
Issued	1,177,000	0.10
Outstanding, December 31, 2018 and December 31, 2019	-	-
Expired	(1,177,000)	0.10
Outstanding, September 30, 2020	-	0.11

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

SNIPP INTERACTIVE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

(Unaudited)

September 30, 2020

9 SUPPLEMENTAL DISCLOSURE REGARDING CASH FLOWS

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash paid during the period for interest	12,489	149
Transactions not involving cash:		
Debt settlement	98,449	-

10 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.

11 COMMITMENT

The Company has leased office space in Ireland. The remaining term of the lease is approximately 4 years. Future remaining minimum lease payments as at September 30, 2020 are as follows:

2020	\$	8,072
2021		32,290
2022		32,290
2023		32,290
2024		10,763
	\$	<u>115,705</u>

12 GOVERNMENT LOAN AND SUBSIDY FUNDS

The Company has received funds under two programs, each designed to support American and Canadian small businesses in keeping their workforces employed during the COVID-19 crisis.

The Company's wholly owned United States subsidiary has received a one-time loan of \$294,400 from the United States' Small Business Administration ("SBA") under the Payroll Protection Program ("PPP") of the CARES Act. The loan has been issued with an annual interest rate of 1% over a two-year term. The SBA will forgive loan amounts under certain conditions. The Company will be applying for SBA loan forgiveness.

The Company has also received funds from the Canadian Emergency Wage Subsidy ("CEWS") program totaling \$100,696 (C\$ 135,414). The Company will also apply for future funding under this program if eligibility criteria for subsequent periods are met. This subsidy does not have to be repaid.

SNIPP INTERACTIVE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

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13 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 cash, 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.

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 September 30, 2020, the Company had \$369,666 (December 31, 2019 - \$244,518) in amounts due from customers greater than 90 days and during fiscal 2020 recognized bad debt expense of \$nil (2019 - \$91,639).

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.

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 September 30, 2020, the Company had a balance of \$nil on the credit facility (December 31, 2019 - \$nil). The credit facility bears interest at prime plus 1.75%. During the period ended September 30, 2020, the Company incurred \$12,489 in interest expense and during the period ended September 30, 2019, the Company incurred \$149 in interest expense.

SNIPP INTERACTIVE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars)

(Unaudited)

September 30, 2020

13 FINANCIAL INSTRUMENTS (cont'd...)

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 \$nil (2019 - \$nil).

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 September 30, 2020, 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 \$7,500 (2019 - \$5,000).

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

	September 30, 2020 C\$	December 31, 2019 C\$
Cash	118,103	159,558
Accounts receivable	380,462	59,913
Accounts payable and accrued liabilities	<u>(1,236,237)</u>	<u>(646,378)</u>
Total	<u>(737,673)</u>	<u>(426,907)</u>

