Keek Inc.

Financial Statements

For the Year ended February 28, 2013 and February 29, 2012

Collins Barrow
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Keek Inc.

We have audited the accompanying financial statements of Keek Inc. which comprise the statement of financial position as at February 28, 2013 and the statements of operations and deficit and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Keek Inc. as at February 28, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
July 2, 2013
Toronto, Ontario

Keek Inc.
Statement of Financial Position
As at February 28, 2013 and February 29, 2012
(Expressed in Canadian dollars)

	2013	2012
Assets		
Current		
Cash and cash equivalents	**$ 9,114,820**	$ 1,841,247
HST receivable	**87,919**	70,494
Prepaid expenses	**226,206**	69,474
	9,428,945	1,981,215
Prepaid expenses	**73,323**	44,475
Property and equipment (Note 6)	**3,998,546**	362,349
Intangible assets (Note 5)	**51,899**	57,271
	$ 13,552,713	$ 2,445,310
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 12)	**$ 774,539**	$ 107,271
Current portion of finance lease obligations (Note 8)	**1,138,455**	-
	1,912,994	107,271
Convertible debentures (Note 7)	**-**	45,750
Finance lease obligation (Note 8)	**892,462**	-
	2,805,456	153,021
Shareholder's Equity		
Capital stock (Note 9)	**22,791,839**	4,627,476
Equity component of convertible debentures (Note 7)	**-**	4,866
Shares to be issued (Note 10)	**100,000**	1,737,500
Contributed surplus (Note 11)	**6,356,438**	613,172
Warrant reserve (Note 9)	**1,452,813**	224,486
Deficit	**(19,953,833)**	(4,915,211)
	10,747,257	2,292,289
	$ 13,552,713	$ 2,445,310

Commitments (Note 14)

Subsequent Events (Note 17)

Approved by the Board **Isacc Raichyk**
Director **(Signed)**

Keek Inc.
Statement of Operations and Comprehensive Income
Year Ended February 28, 2013 and February 29, 2012
(Expressed in Canadian dollars)

	2013	2012
Expenses and marketing		
Advertising and marketing (Note 11)	**$ 5,321,489**	$ 219,192
Amortization	**498,634**	117,429
Computers	**36,730**	43,930
Consulting fees	**658,533**	655,464
Foreign exchange loss (gain)	**16,387**	526
Insurance	**12,103**	7,912
Management fees (Note 12)	**-**	327,615
Miscellaneous	**133,453**	94,172
Other	**-**	12,038
Professional fees	**331,008**	111,600
Occupancy costs	**209,253**	87,554
Salaries and benefits	**6,848,563**	2,390,077
Internet and communications	**969,366**	106,147
	15,035,519	4,173,656
Finance costs		
Interest income	**(38,014)**	(18,945)
Interest and bank charges	**10,038**	2,145
Interest on long-term debt	**11,099**	4,823
	(16,877)	(11,977)
Comprehensive loss	**$(15,018,642)**	$ (4,161,679)

Loss per share		
Basic	**$ (0.43)**	$ (0.12)
Diluted	**$ (0.14)**	$ (0.04)

Weighted average number of common shares outstanding		
Basic	**35,000,000**	35,000,000
Diluted	**107,587,671**	93,751,230

See accompanying notes

Keek Inc.
Statement of Changes in Equity
Year Ended February 28, 2013 and February 29, 2012
(Expressed in Canadian dollars)

	Common shares Number	Common shares Number	Preference shares Number	Preference shares Amount	Contributed surplus	Warrant reserve	Shares to be issued	Equity component of convertible debentures	Deficit	Total
Balance, February 28, 2011	**35,000,000**	**350**	**20,100,000**	**$ 510,150**	**$ 18,952**	**$ -**	**$ 50,000**	**$ 9,650**	**$ (753,532)**	**$ (164,430)**
Net loss for the period	-	-	-	-	-	-	-	-	(4,161,679)	(4,161,679)
Issuance of preference shares (Note 9)	-	-	34,550,000	4,715,000	-	-	-	-	-	4,715,000
Issuance of warrants (Note 9)	-	-	-	-	-	167,780	-	-	-	167,780
Stock-based compensation(Note 11)	-	-	-	-	594,220	-	-	-	-	594,220
Share issuance costs (Note 9)	-	-	-	(660,656)	-	56,706	-	-	-	(603,950)
Funds received for shares to be issued (Note 10)	-	-	-	-	-	-	1,687,500	-	-	1,687,500
Conversion of convertible debenture (Note 7)	-	-	250,000	52,762	-	-	-	(4,784)	-	47,978
Options exercised (Note 9)	-	-	9,870,000	9,870	-	-	-	-	-	9,870
Balance, February 29, 2012	**35,000,000**	**350**	**64,770,000**	**4,627,126**	**613,172**	**224,486**	**1,737,500**	**4,866**	**(4,915,211)**	**2,292,289**
Net loss for the period	-	-	-	-	-	-	-	-	(15,018,642)	(15,018,642)
Issuance of preference shares (Note 9)	-	-	18,495,000	18,525,000	-	-	-	-	-	18,525,000
Redemption of preference shares	-	-	(20,000)	(20)	-	-	-	-	(19,980)	(20,000)
Issuance of warrant(Note 9)	-	-	-	(968,476)	-	968,476	-	-	-	-
Stock-based compensation (Note 11)	-	-	-	-	5,743,266	-	-	-	-	5,743,266
Share issuance costs (Note 9)	-	-	-	(1,387,421)	-	427,631	-	-	-	(959,790)
Funds received for shares to be issued (Note 10)	-	-	-	-	-	-	100,000	-	-	100,000
Conversion of convertible debenture (Note 7)	-	-	500,000	50,000	-	-	-	(4,866)	-	45,134
Shares issued for funds received in prior years (Note 10)	-	-	2,240,000	1,737,500	-	-	(1,737,500)	-	-	-
Warrants exercised	-	-	2,000,000	207,780	-	(167,780)	-	-	-	40,000
Balance, February 29, 2013	**35,000,000**	**350**	**87,985,000**	**$ 22,791,489**	**$ 6,356,438**	**$ 1,452,813**	**$ 100,000**	**$ -**	**$ (19,953,833)**	**$ 10,747,257**

Keek Inc.
Statement of Cash Flows
Year Ended February 28, 2013 and February 29, 2012
(Expressed in Canadian dollars)

	2013	2012
Cash provided by (used in)		
Operations		
Net loss	**$(15,018,642)**	$ (4,161,678)
Items not affecting cash		
Amortization	**498,634**	117,429
Accretion on convertible debentures (Note 7)	**-**	2,657
Stock based compensation (Note 11)	**5,743,266**	594,220
Warrants issued for services	**-**	167,780
	(8,776,742)	(3,279,592)
Net changes in non-cash working capital		
HST receivable	**(17,425)**	(65,596)
Prepaid expenses	**(185,580)**	(66,924)
Accounts payable and accrued liabilities	**667,265**	(213,208)
	(8,312,482)	(3,625,320)
Investing		
Purchase of property and equipment	**(1,829,717)**	(433,235)
Purchase of intangible assets	**(3,360)**	(48,029)
	(1,833,077)	(481,264)
Financing		
Advances from shareholder	**-**	94,376
Repayments to shareholder	**-**	(94,376)
Repayment of finance lease obligations	**(266,078)**	-
Repayment of notes payable	**-**	(35,000)
Issuance of preference shares	**18,505,000**	4,715,000
Amounts received for shares to be issued	**100,000**	1,687,500
Share issuances costs	**(959,790)**	(603,950)
Proceeds from exercise of stock options	**-**	9,870
Proceeds from exercise of warrants	**40,000**	-
	17,419,132	5,773,420
Net change in cash	**7,273,573**	1,666,836
Cash, beginning of year	**1,841,247**	174,411
Cash, end of year	**$ 9,114,820**	$ 1,841,247

Supplemental Disclosure

Cash paid for interest	**$ 11,099**	$ 8,422
Purchase of property and equipment under finance lease	**$ 2,296,382**	$ -

1. NATURE OF OPERATIONS

Keek Inc. ("Keek" or the "Company"), was incorporated under the laws of Ontario on March 5, 2010. The Company's principal activity is the development of an online social media website which allows users to upload and share personal videos of themselves. The address of the Company's registered office is 1 Eglinton Avenue East, Suite 500, Toronto, Ontario, M4P 3A1.

The Company is in the development stage and has not been able to demonstrate that the social media website will be able to ultimately obtain profitability.

These financial statements have been prepared in accordance with accounting principles under IAS 1, Presentation of Financial Statements, applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations. Management has been able to raise sufficient funds to finance its operations and subsequent to year end signed an agreement with a third party investment bank for purposes of raising up to US$50,000,000 in a private placement (Note 17).

These financial statements do not include any adjustments to the amounts or classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. STATEMENT OF COMPLIANCE

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

The financial statements for the year ended February 28, 2013 (including comparatives) were approved and authorized for issue by the board of directors on July 2, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are presented in Canadian dollars which is also the functional currency of the Company.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through profit and loss and as available-for-sale.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Development Costs

The Company incurs costs associated with the design and development of the online social media website. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred. To date, no product development costs have been capitalized.

Property and Equipment

Property and equipment are recorded at cost and are amortized over their estimated useful lives at the following annual rates:

Computers	-	2 years, straight line
Furniture and fixtures	-	2 years, straight line
Leasehold improvements	-	70 months straight line
Servers	-	3 years, straight line
Software	-	2 years, straight line
Telephone	-	2 years, straight line

Intangible Assets

Intangible assets represents the domain name "keek.com", additional domain names and trademarks and patents. All intangible assets are considered to have a finite life and are measured at acquisition cost. These assets are amortized on a straight line basis over their estimated useful lives at the following rates:

Domain names	-	7 years, straight line
Trademarks and patents	-	10 years, straight line

Impairment of Long-lived Assets

Long-lived assets which include property and equipment and intangible assets are reviewed for impairment annually or at any time an indicator of impairment exists. Long-lived assets are allocated to each cash generating unit ('CGU'), or group of CGUs, that are expected to benefit from the assets. A group of CGUs represents the lowest level within the entity at which the long-lived assets are monitored for internal management purposes, which is not higher than an operating segment. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of Long-lived Assets (Cont'd)

Impairment of long-lived assets is tested by comparing each CGU's carrying amount, to the recoverable amount of the CGU. If the carrying amount of the CGU exceeds its recoverable amount, the recoverable amount of the CGU's long-lived asset is compared with its carrying amount to measure the amount of any impairment loss. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell or its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. Any impairment loss is expensed in the statement of operations and comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying value of long-lived assets allocated to the units and then to reduce the carrying amounts of other assets of the unit on a pro rata basis.

Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to an asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance expenses in the statement of comprehensive income.

Operating lease payments are recognized as an operating expense in the statement of operations and comprehensive income on a straight-line basis over the term of the lease.

Compound Financial Instruments

Convertible debentures contain both a liability component and an equity component, represented by the conversion feature. The Company has allocated the total proceeds received between the debt and equity components of the convertible debentures using the residual method. The fair value of the equity component of the convertible debentures was valued as the proceeds less the fair value of the debt component. The fair value of the debt component is accreted to its face value through accretion expense charges which is included in interest on long-term debt over the term of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Stock-Based Compensation and Stock-Based Payments

The Company has a stock option plan for directors, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period. For employees and those performing employee-like services the fair value of each trance is measured at the date of grant using the Black-Schools option pricing model (see note 11). For non-employees, the fair value of each trance is measured as the services are rendered. Compensation expense is recognized over the trance’S vesting period, based on the number of awards expected to vest, with the offset credited to contributed surplus.

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

When stock options are issued with certain terms that are not finalized they are measured at the year end date using the Black-Schools option pricing model using management's best estimate of fair value and are re-valued once the terms have been finalized. Stock-Based compensation is adjusted based on the value once terms are finalized.

Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

Use of Estimates

The preparation of these financial statements in compliance with IRS requires the Company’S management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company’S assets, liabilities, equity or earnings. Actual results may differ from those estimates. The most significant estimate made by the Company is the valuation of share-based payments given the degree of subjectivity of many of the assumptions used in the Black-Schools valuation method (Notes 9 and 11).

The most critical judgemental used by management in the preparation of these financial statements relates to the application of employee-like services as defined under IRS 2, Share-based payment. The Company has determined that many of the consultants who receive share-based payments were performing employee-like services and accordingly these share-based payments have been accounted for as if the consultants were employees of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Deferred Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net earnings in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and is reviewed at the end of each reporting period.

Share Capital

Common and preference shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Financial Instruments

Financial assets classified as fair value through profit and loss ("FTP") are measured at fair value, with any resultant gain or loss recognized in the statement of operations.

Financial instruments classified as being available-for-sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income, except for impairment losses and, in the case of monetary items such as securities denominated in foreign currency, which are recorded in foreign exchange gains and losses. When these investments are unrecognised, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.

Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest rate method.

Transaction costs associated with FTP financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and financial liabilities are included in the initial carrying amount of the asset.

The Company has made the following classifications:

Cash	-	FTP
Accounts payable and accrued liabilities	-	Other financial liabilities
Convertible debentures	-	Other financial liabilities
Finance lease obligations	-	Other financial liabilities

The financial instrument disclosures can be found in Note 16.

Statement of Cash Flows

Interest and dividends are included in operating cash flows in the statements of cash flows.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The following standards have been issued but are not yet effective:

IRS 9 - Financial Instruments

IRS 9 replaces the current standard, IA'S 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. This standard is effective for annual periods beginning on or after January 1, 2015.

IRS 10 – Consolidated Financial Statements

IRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (I) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an invested and therefore must consolidate the invested; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IRS 10 supersedes IA'S 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IRS 11 - Joint Arrangements

IRS 11 establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IRS 12 – Disclosure of Involvement with Other Entities

IRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IRS 13 – Fair Value Measurement

IRS 13 defines fair value, sets out in a single IRS a framework for measuring fair value and requires disclosures about fair value measurements. IRS 13 applies when another IRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IRS 2 Share-based Payment; leasing transactions within the scope of IA'S 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IA'S 2 Inventories or value in use in IA'S 36 Impairment of Assets. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

4. RECENT ACCOUNTING PRONOUNCEMENT (Cont'd)

IA'S 28 – Investments in Associates and Joint Ventures

IA'S 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IA'S 28 applies to all entities that are investors with joint control of, or significant influence over, an invested (associate or joint venture). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

The Company is currently evaluating the impact of the above standards on its financial performance, position and financial statement disclosures.

5. INTANGIBLE ASSETS

	February 29, 2012	Additions	**February 28, 2013**
Domain names	$ 55,662	2,194	**$ 57,856**
Trademarks & patents	4,712	1,166	**5,878**
Total cost	60,374	3,360	**63,734**
Domain names	(2,868)	(8,185)	**(11,053)**
Trademarks & patents	(235)	(547)	**(782)**
Total accumulated amortization	(3,103)	(8,732)	**(11,835)**
Domain names	52,794	(5,991)	**46,803**
Trademarks & patents	4,477	619	**5,096**
Total carrying value	$ 57,271	$ (5,372)	**$ 51,899**

	February 28, 2011	Additions	February 29, 2012
Domain names	$ 12,345	43,317	$ 55,662
Trademarks & patents	-	4,712	4,712
Total cost	12,345	48,029	60,374
Domain names	-	(2,868)	(2,868)
Trademarks & patents	-	(235)	(235)
Total accumulated amortization	-	(3,103)	(3,103)

Carrying value	February 28, 2011	Additions	February 29, 2012
Domain names	12,345	40,449	52,794
Trademarks & patents	-	4,477	4,477
Total carrying value	$ 12,345	$ 44,926	$ 57,271

6. PROPERTY AND EQUIPMENT

	February 29, 2012	Additions	**February 28, 2013**
Computers	$ 126,490	55,658	**$ 182,148**
Furniture and fixtures	103,610	15,237	**118,847**
Leasehold improvements	11,139	-	**11,139**
Servers	206,165	4,034,955	**4,241,120**
Software	32,487	17,866	**50,353**
Telephone	6,289	2,383	**8,672**
Total cost	486,180	4,126,099	**4,612,279**
Computers	(36,785)	(73,332)	**(110,117)**
Furniture and fixtures	(34,790)	(56,620)	**(91,410)**
Leasehold improvements	(1,344)	(1,909)	**(3,253)**
Servers	(39,821)	(334,362)	**(374,183)**
Computer software	(9,859)	(19,879)	**(29,738)**
Telephone	(1,233)	(3,799)	**(5,032)**
Total accumulated amortization	(123,832)	(489,901)	**(613,733)**
Computers	89,705	(17,674)	**72,031**
Furniture and fixtures	68,820	(41,383)	**27,437**
Leasehold improvements	9,795	(1,909)	**7,886**
Servers	166,344	3,700,593	**3,866,937**
Software	22,628	(2,013)	**20,615**
Telephone	5,056	(1,416)	**3,640**
Total carrying value	$ 362,348	$ 3,636,198	**$ 3,998,546**

6. PROPERTY AND EQUIPMENT (Cont'd)

	February 28, 2011	Additions	February 29, 2012
Computers	$ 19,553	$ 106,937	$ 126,490
Furniture and fixtures	33,392	70,218	103,610
Leasehold improvements	-	11,139	11,139
Servers	-	206,165	206,165
Software	-	32,487	32,487
Telephones	-	6,289	6,289
Total cost	52,945	433,235	486,180
Computers	(5,443)	(31,342)	(36,785)
Furniture and fixtures	(4,063)	(30,727)	(34,790)
Leasehold improvements	-	(1,344)	(1,344)
Servers	-	(39,821)	(39,821)
Software	-	(9,859)	(9,859)
Telephones	-	(1,233)	(1,233)
Total accumulated amortization	(9,506)	(114,326)	(123,832)
Computers	14,110	75,595	89,705
Furniture and fixtures	29,329	39,491	68,820
Leasehold improvements	-	9,795	9,795
Servers	-	166,344	166,344
Software	-	22,628	22,628
Telephones	$ -	5,057	$ 5,057
Total carrying value	$ 43,439	$ 318,910	$ 362,349

7. CONVERTIBLE DEBENTURES

	2013	2012
Opening balance	**$ 45,750**	$ 91,071
Accretion expense	**-**	2,657
Equity Portion of convertible debt	**4,866**	4,784
Conversion of debt	**(50,616)**	(52,762)
Balance at year end	**$ -**	$ 45,750

The Company issued convertible debentures in the amount of $108,220, which was allocated between debt and equity. The fair value of the debt was determined by discounting the future interest and principal payments using a discount rate of 12% and the residual amount of $9,650 was allocated to equity. The initial terms of the convertible debentures were as follows:

Maturity: March 31, 2013

Interest: 8% per annum, compounded and payable quarterly within 30 days

Security: A general security agreement over all of the assets of the Company

7. DEBENTURES (Cont'd)

Redemption option: The Company has the option to redeem all or part of the convertible debenture with all accrued interest before the maturity date without penalty into preference shares.

Conversion option: The holder has the option of converting outstanding principal into preference shares of the Company at the rate of $0.20 per share. Effective February 29, 2012, the terms of the convertible debentures were modified whereby the conversion rate was reduced to $0.10 per share and the convertible debentures no longer bear interest. The modification of these financial instruments was not treated as an extinguishments of the convertible debentures as the terms were not changed substantially.

During the year ended February 28, 2013 the Company recorded interest accretion of $Nil (2012 - $2,657).

During the year ended February 28, 2013 convertible debentures with a face value of $50,000 were converted into 500,000 preference shares.

8. FINANCE LEASE OBLIGATIONS

The Company has assumed finance lease obligations until 2015. The monthly lease payments consist of principal repayment and interest and the weighted average imputed interest rate is 2.42%. The minimum payment under the finance lease are as follows:

	Total lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 1,175,839	$ 37,384	$ 1,138,455
Between one and five years	903,219	10,757	892,462
More than five years	-	-	-
	$ 2,079,058	$ 48,141	$ 2,030,917

Included in property and equipment are items under finance leases with a cost of $2,883,119 (2012 - $Nil). Accumulated amortization for items under finance lease is $220,727 (2012 - $Nil).

9. CAPITAL STOCK

		2013	2012
Authorized			
unlimited	preference shares, no stated dividend, non-participating, non-voting		
unlimited	common shares		
Issued			
	Preference shares	**$ 22,791,489**	$ 4,627,126
	Common shares	**350**	350
		$ 22,791,839	$ 4,627,476

Upon the event that the Company completes a public offering of any class of shares, the preference shares are automatically converted to common shares on a one-for-one basis.

During 2013, the Company issued 18,495,000 (2012 - 34,550,000) preference shares of the Company at prices between $0.10 and $1.00 for aggregate gross proceeds of $18,525,000 (2012 - $4,715,000). Of the total preference shares issued during the year, 5,978,500 shares had one-half warrant attached to them for a total of 2,989,250 warrants. A value of $968,476 was attributed to these warrants based on Black-Schools Option pricing model and included in the year-end warrant reserve balance.

The Company paid cash commissions and referral fees totaling $959,790 (2012 - $603,950) and issued 1,011,690 (2012 - 1,072,000) brokers warrants (the "Broker Warrants").

Warrants

The Broker Warrants are exercisable into one preference share in the Company at a price of $1.00 per preference share and expire after two years. A value of $427,631 was attributed to warrants and has been included in the warrant reserve based on the Black-Schools option pricing model.

A total of 2,000,000 warrants of the 3,072,000 warrants issued to consultants and brokers for professional services in 2012 were exercised into preference shares of the Company at a price of $0.02 per preference share. A value of $167,780 attributed to these warrants in prior year has been reversed and added to preferred shares of the Company.

As of year end, warrant reserve also includes 1,072,000 warrants issued in 2012 that are exercisable into one preference share in the Company at a price of $0.10 per preference share and which have not been exercised. A value of $56,706 was attributed to these warrants in prior years based on Black-Schools option pricing model and included in the year-end warrant reserve balance until they are exercised or expire on April 7, 2013.

The expected volatility of the warrants is based on comparable companies in the industry. The share price used in the determination of fair value of the warrants was based on the most recent issuance of preferred shares. The warrants were not measured at the fair value of the services received as this amount could not be measured reliably.

9. CAPITAL STOCK (Cont'd)

Warrants (Const)

The fair value of warrants including broker warrants was calculated using the following weighted average assumptions:

	2013	2012
Risk free interest rate (%)	1.21	1.79
Expected volatility (%)	100	100
Expected life (in years)	1	1
Expected dividends	Nil	Nil
Weighted average share price	1.00	0.07

A summary of the status of the Company's warrants is presented below:

	2013		2012	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Beginning balance	3,072,000	$ 0.17	-	$ -
Granted	4,000,940	$ 1.00	3,072,000	$ 0.17
Exercised	(2,000,000)	$ 0.02	-	$ -
Ending balance	5,072,940	$ 0.88	3,072,000	$ 0.17

Stock Option Plan

The Company has a stock option plan (the "Plan") which provides for the issuance of stock options to employees, consultants, preferred partners and executives which may expire as much as 10 years from the date of grant. The Plan allows for an unlimited number of options to be authorized at any exercise price determined by the Board of Directors as long as the Company remains a non-public company. The Board of Directors also determines the right to determine the vesting periods to the stock options granted. Upon the Company becoming a public company listed on a recognized stock exchange, the Plan will comply with the applicable rules, regulations and policies of the recognized stock exchange.

The following summarizes the stock option activities under the plan:

	2013		2012	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Beginning balance	**14,040,000**	**$0.33**	24,760,000	$0.01
Granted	**18,915,000**	**$1.00**	9,900,000	$0.41
Expired/Cancelled	**(780,000)**	**$0.78**	(10,000,000)	$0.00
Exercised	**-**	**$0.00**	(9,870,000)	$0.00
Forfeited	**(400,000)**	**$0.40**	(750,000)	$0.20
Ending balance	**31,775,000**	**$0.80**	14,040,000	$0.33
Exercisable	**16,605,833**	**$0.52**	6,455,000	$0.17

9. CAPITAL STOCK (Cont'd)

Stock Option Plan (Const)

The Company had the following stock options outstanding at February 28, 2013:

Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price (exercisable)
$0.10	4,250,000	1.3 years	0.10	4,250,000	0.10
$0.20	6,040,000	2.1 years	0.20	4,665,000	0.20
$0.50	800,000	2.6 years	0.50	650,000	0.50
$1.00	15,685,000	3.1 years	1.00	6,990,833	1.00
$1.50	5,000,000	3.8 years	1.50	-	NIL
	31,775,000	2.8 years	**$ 0.79**	16,555,833	**$ 0.52**

10. SHARES TO BE ISSUED

As at February 28, 2013, a consideration of $100,000 (2012 - $1,687,500) has been received pertaining to 500,000 preference shares (2012 - 2,240,000) of the Company exercisable at $0.20 per share (2012 - $0.10 to $1.00).

All 2,240,000 preference shares classified as shares to be issued in prior years were issued during the current year. 500,000 Preference shares related to convertible promissory notes which matured on December 31, 2011 were also issued in the current fiscal year and are included in the year end capital stock balance.

11. STOCK BASED COMPENSATION

The total compensation expense relating to stock options granted to employees, service consultants, preferred partner consultants and executives for the year ended February 28, 2013 was $5,743,266 (2012 - $594,220) with a corresponding charge to contributed surplus. Only stock options expense related to employees, service consultants and executives $3,417,355 (2012 - $594,220) is included in salaries and benefits. Expense related to options granted to preferred partner consultants for the year ended February 28, 2013 in the amount of $2,325,911 (2012 - Nil) is classified as advertising and marketing. The Company granted a total of 18,915,000 options during the year ended February 28, 2013 (2012 - $9,900,000). The weighted average fair value of the options granted during the year was $0.66 per option (2012 - $0.19).

The fair value of the stock options was determined using the Black-Schools option pricing model which requires highly subjective assumptions, including future stock volatility and expected time until exercise, which greatly affect the calculated values. The expected volatility is based on comparable companies in the industry. The share price used in the determination of fair value of the stock based compensation was based on the most recent issuance of preference shares.

11. STOCK BASED COMPENSATION (Cont'd)

The fair value of stock options was calculated using the following weighted average assumptions:

	2013	2012
Risk free interest rate (%)	**1.29**	2.18
Expected volatility (%)	**100**	100
Expected life (in years)	**3.91**	3.56
Expected dividends	**Nil**	Nil
Weighted average share price	**$ 1.00**	$ 0.14

12. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the Company incurred management fees of $NIL (2012 - $293,950) and commissions and referral fees of $689,100 (2012 - $490,300) charged by a company owned by the controlling shareholder of the Company. As of February 28, 2013, $10,251 (2012 - $19,542) was included in accounts payable and accrued liabilities.

During the year, the Company incurred consulting fees of $NIL (2012 - $25,047) charged by a consultant who is a relative of the the controlling shareholder of the Company.

13. KEY MANAGEMENT COMPENSATION

The compensation of the directors and other key management of the Company is included in the summary table below. Key management are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

	Short term compensation	Share based compensation	Total
2013	**$ 520,628**	**1,419,642**	**$ 1,940,270**
2012	$ 1,023,750	74,484	$ 1,098,234

14. COMMITMENTS

Leases

The Company is committed to the following minimum lease payments for their premises expiring on October 2023:

Less than one year	$ 136,002
1 - 5 years	1,369,954
Greater than 5 years	1,398,370
	$ 2,904,326

The Company is also committed to pay its proportionate share of operating costs for the premises.

Preference Shares

The Company is committed to issue a total of 300,000 preferred shares at $0.10 each to an external consultant in increments of 100,000 shares upon completion of each specific milestone related to the development of camera technology. Subsequent to year end 200,000 preferred shares have been issued upon meeting the first two milestones. The final 100,000 preferred shares will be issued when the final milestone has been completed.

15. INCOME TAXES

Provision for Income Taxes

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 26.5% (2012 - 28%) were the following:

	2013	2012
Loss before income taxes	**$ 15,018,642**	$ 4,161,679
Expected tax recovery at statutory rates	**(3,984,107)**	(1,165,270)
Increase (decrease) resulting from:		
Stock-based compensation	**1,523,559**	166,365
Unrecognised benefits of non-capital losses	**-**	-
Share issuance costs	**(254,344)**	(150,988)
Other non-deductible expenses	**6,940**	4,903
Change in unrecognised portion of deferred taxes	**2,820,438**	1,043,549
Change in tax rate and other differences	**(112,486)**	101,441
Income tax	**$ -**	$ -

15. INCOME TAXES (Cont'd)

Deferred Income Taxes

Net deferred income tax balances are summarized as follows:

	2013	2012
Deferred income tax assets (liabilities)		
Property and equipment	**$ (211,372)**	$ 7,115
Intangibles	**(2,901)**	(3,939)
Non-capital losses	**3,917,439**	1,097,045
Share issuance costs & other	**336,858**	120,790
Convertible debentures	**-**	(1,425)
Deferred taxes not recognized	**(4,040,024)**	(1,219,586)
	$ -	$ -

Non-capital Losses

The Company has non-capital federal and provincial losses losses of approximately $14,597,700 available to apply against future taxable income. If unutilised, these losses will expire as follows:

2031	$ 573,000
2032	3,674,700
2033	10,350,000
	$ 14,597,700

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair Values

The carrying value of cash, accounts payable and accrued liabilities approximate fair values due to the short-term maturities of these instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists. The fair value of the finance lease obligation and convertible debentures approximates their carrying amounts as they bear terms similar to that of comparable instruments.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

(a) Fair Values (Const)

The Company follows a three-tier categorization for its financial instruments as a framework for disclosing fair value based upon inputs used to value the Company's investments. The hierarchy is summarized as:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
- Level 3 – inputs for assets and liabilities not based upon observable market data

As at February 28, 2013 and February 29, 2012 cash was carried at Level 1 in the fair value hierarchy.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company'S interest rate risk is primarily related to the Company'S interest bearing debts on its balance sheet. The finance lease obligations and convertible debentures bear interest at fixed rates ranging from 2% to 8%, and as such, are not subject to cash flow interest rate risk resulting from market fluctuations thereby minimizing the Company'S exposure to cash flow interest rate risk.

(c) Foreign Currency risk

The Company is subject to foreign exchange rate risk as it enters in transactions denominated in currencies other than the Company'S functional currency, which is the Canadian dollar.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 16(bf) to the financial statements. The Company has no income from operations and relies on equity funding to support its development and corporate activities. Should the need for further equity funding arise, there is a risk that the Company may not be able to sell new common or preferred shares at an acceptable price.

Accounts payable and accrued liabilities and current portion of finance lease obligations are due within the current operating period. As at February 28, 2013, the Company had total cash of $9,114,820 (2012 - $1,841,247) to settle current liabilities of $1,912,994 (2012 - $107,271).

(e) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash and cash equivalents. The Company'S risk is minimal, since the majority of its cash are on deposit with a Canadian chartered bank.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

(f) Capital Management

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the research and development of its social media Webster for the benefit of its shareholders.

February 28, 2013, the Company's capital consists of working capital in the amount of $7,515,951 (2012 - $1,873,944).

There were no changes in the Company's management of its capital during the year ended February 28, 2013. The Company is not subject to any externally imposed capital requirements.

In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, comprised of common shares, preference shares, warrants, and incentive stock options. The Company reviews its capital management methods and requirements on an ongoing basis and makes adjustments, accordingly.

17. SUBSEQUENT EVENTS

The following significant transactions occurred subsequent to the year ended February 28, 2013:

a) The Company issued 400,000 options which are each exercisable into one preference share at an exercise price of $1.00. The options vest 25% semi-annually and expire three years from the vesting dates.

b) The Company entered into a 24 month lease arrangement to obtain computer hardware in the amount of $280,895.

c) The Company entered into a 24 month lease arrangement to obtain computer hardware in the amount of $35,100.

d) The Company entered into a 12 month lease arrangement to obtain computer software in the amount of $902,772.

e) The Company signed an investment banking and advisory agreement with a third party investment bank for the purpose of raising funds for a private placement of up to US$50,000,000. In the event of a successful private placement, the Company will pay a cash fee of 6% of the gross proceeds raised.

f) The Company issued 200,000 non-voting preferred shares pursuant to a contract for developing VU camera system.

g) The Company received gross proceeds of $107,200 from the exercise of 1,072,000 warrants that were issued during the year ended February 29, 2012.