



**Condensed Consolidated Interim Financial Statements**

**For the Three and Six Months Ended August 31, 2016 and 2015**

(Expressed in Canadian Dollars)

(Unaudited)

**MANAGEMENT'S COMMENTS ON  
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

NOTICE TO READER PURSUANT TO NATIONAL INSTRUMENT 51-102 - *CONTINUOUS  
DISCLOSURE OBLIGATIONS*

Under National Instrument 51-102, *Continuous Disclosure Obligations*, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Keek Inc.

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

|   | August 31,<br>2016 | February 29,<br>2016 |
|---|--------------------|----------------------|
| <b>Assets</b>                                     |                    |                      |
| <b>Current assets</b>                             |                    |                      |
| Cash  | \$ 257,241         | \$ 102,659           |
| Accounts receivable                               | 54,382             | 81,752               |
| Other receivables                                 | 18,588             | 8,270                |
| Prepaid expenses                                  | 62,175             | 92,775               |
|   | <b>392,386</b>     | <b>285,456</b>       |
| <b>Prepaid expenses</b>                           | <b>51,747</b>      | <b>51,747</b>        |
| <b>Intangible assets</b>                          | <b>14,341</b>      | <b>17,462</b>        |
| <b>Property and equipment (Note 4)</b>            | <b>28,216</b>      | <b>156,735</b>       |
|   | <b>\$ 486,690</b>  | <b>\$ 511,400</b>    |
| <b>Liabilities</b>                                |                    |                      |
| <b>Current liabilities</b>                        |                    |                      |
| Accounts payable and accrued liabilities (Note 5) | \$ 3,449,208       | \$ 3,651,374         |
| Secured notes (Note 8)                            | 100,000            | 100,000              |
|   | <b>3,549,208</b>   | <b>3,751,374</b>     |
| <b>Convertible debentures (Note 9)</b>            | <b>-</b>           | <b>3,392,210</b>     |
|   | <b>3,549,208</b>   | <b>7,143,584</b>     |
| <b>Shareholders' Deficiency</b>                   |                    |                      |
| Share capital (Note 6)                            | 53,427,575         | 48,854,663           |
| Contributed surplus                               | 19,362,917         | 18,991,624           |
| Warrants reserve (Note 6)                         | 939,460            | 548,098              |
| Deficit   | (76,792,470)       | (75,026,569)         |
|   | <b>(3,062,518)</b> | <b>(6,632,184)</b>   |
|   | <b>\$ 486,690</b>  | <b>\$ 511,400</b>    |

Nature of Operations and Going Concern (Note 1)

Related Party Transactions (Note 10)

Commitments (Note 11)

Subsequent Events (Note 14)

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

## Keek Inc.

### Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the Three and Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

|   | Three Months<br>Ended August 31, |                       | Six Months<br>Ended August 31, |                       |
|---|----------------------------------|-----------------------|--------------------------------|-----------------------|
|   | 2016                             | 2015                  | 2016                           | 2015                  |
| <b>Revenue</b>  | <b>\$ 13,850</b>                 | <b>\$ 41,336</b>      | <b>\$ 39,751</b>               | <b>\$ 143,185</b>     |
| <b>Expenses</b>   |                                  |                       |                                |                       |
| Salaries and benefits (Note 7)                              | 397,078                          | 1,648,591             | 860,869                        | 2,972,271             |
| Internet and communications                                 | 175,750                          | 376,330               | 326,516                        | 802,432               |
| Consulting fees (Note 10)                                   | 117,072                          | 348,371               | 294,749                        | 887,643               |
| Amortization  | 24,110                           | 407,014               | 131,640                        | 910,762               |
| Occupancy costs   | 33,913                           | 78,509                | 88,549                         | 206,310               |
| Professional fees   | 30,461                           | 109,804               | 65,343                         | 177,840               |
| Advertising and marketing (Note 7)                          | 10,898                           | (335,517)             | 62,274                         | 334,807               |
| Office and general  | 26,808                           | 44,216                | 48,538                         | 201,509               |
| Translation and software licensing                          | 11,158                           | 7,731                 | 26,972                         | 32,933                |
| Gain on disposal of long-lived assets                       | (10,202)                         | (98,121)              | (10,202)                       | (98,121)              |
| Foreign exchange (gain) loss                                | 1,512                            | (18,949)              | (53,973)                       | (6,831)               |
|   | <b>818,558</b>                   | <b>2,567,979</b>      | <b>1,841,275</b>               | <b>6,421,555</b>      |
| <b>Other expenses (income)</b>                              |                                  |                       |                                |                       |
| Interest and accretion expense                              | 3,000                            | 249,672               | 20,632                         | 500,164               |
| Interest income   | (4,125)                          | (293)                 | (6,059)                        | (639)                 |
| Gain on settlement of debts (Note 5)                        | (11,061)                         | -                     | (50,196)                       | -                     |
|   | <b>(12,186)</b>                  | <b>249,379</b>        | <b>(35,623)</b>                | <b>499,525</b>        |
| <b>Net and comprehensive loss for the period</b>            | <b>\$ (792,522)</b>              | <b>\$ (2,776,022)</b> | <b>\$ (1,765,901)</b>          | <b>\$ (6,777,895)</b> |
| <b>Net loss per share</b>                                   |                                  |                       |                                |                       |
| Basic and diluted   | <b>\$ (0.02)</b>                 | <b>\$ (0.22)</b>      | <b>\$ (0.04)</b>               | <b>\$ (0.56)</b>      |
| <b>Weighted average number of common shares outstanding</b> |                                  |                       |                                |                       |
| Basic and diluted   | <b>44,516,271</b>                | <b>12,887,586</b>     | <b>42,040,986</b>              | <b>12,171,401</b>     |

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

## Keek Inc.

### Condensed Consolidated Interim Statements of Changes in Equity For the Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

|  | Common shares     |                      | Contributed          | Warrants          | Deficit                | Total                 |
|--|-------------------|----------------------|----------------------|-------------------|------------------------|-----------------------|
|  | Number            | Amount               | surplus              | reserve           |                        |                       |
| <b>Balance at February 28, 2015</b>  | <b>11,455,216</b> | <b>\$ 45,150,064</b> | <b>\$ 16,998,992</b> | <b>\$ 290,950</b> | <b>\$ (64,199,510)</b> | <b>\$ (1,759,504)</b> |
| Net loss for the period  | -                 | -                    | -                    | -                 | (6,777,895)            | (6,777,895)           |
| Share-based payments (Note 7)  | -                 | -                    | 1,646,608            | -                 | -                      | 1,646,608             |
| Issuance of shares   | 5,084,000         | 680,049              | -                    | 386,751           | -                      | 1,066,800             |
| Issuance of shares under anti-dilution rights                                | 250,000           | -                    | -                    | -                 | -                      | -                     |
| Issuance of shares for settlement of debt                                    | 300,000           | 60,000               | -                    | -                 | -                      | 60,000                |
| <b>Balance at August 31, 2015</b>  | <b>17,089,216</b> | <b>\$ 45,890,113</b> | <b>\$ 18,645,600</b> | <b>\$ 677,701</b> | <b>\$ (70,977,405)</b> | <b>\$ (5,763,991)</b> |
| <b>Balance at February 29, 2016</b>  | <b>24,565,276</b> | <b>\$ 48,854,663</b> | <b>\$ 18,991,624</b> | <b>\$ 548,098</b> | <b>\$ (75,026,569)</b> | <b>\$ (6,632,184)</b> |
| Net loss for the period  | -                 | -                    | -                    | -                 | (1,765,901)            | (1,765,901)           |
| Share-based payments (Note 7)  | -                 | -                    | 371,293              | -                 | -                      | 371,293               |
| Issuance of shares for services (Note 6)                                     | 80,000            | 20,000               | -                    | -                 | -                      | 20,000                |
| Issuance of units (Note 6)   | 6,000,000         | 1,085,163            | -                    | 391,362           | -                      | 1,476,525             |
| Issuance of shares for settlement of debt and trade payables (Notes 6 and 9) | 13,870,995        | 3,467,749            | -                    | -                 | -                      | 3,467,749             |
| <b>Balance at August 31, 2016</b>  | <b>44,516,271</b> | <b>\$ 53,427,575</b> | <b>\$ 19,362,917</b> | <b>\$ 939,460</b> | <b>\$ (76,792,470)</b> | <b>\$ (3,062,518)</b> |

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

# Keek Inc.

## Condensed Consolidated Interim Statements of Cash Flows

For the Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

|  | <b>Six Months Ended August 31,</b> |                     |
|--|------------------------------------|---------------------|
|  | <b>2016</b>                        | <b>2015</b>         |
| <b>Cash flows used in operating activities</b>               |                                    |                     |
| Net loss for the period                                      | \$ (1,765,901)                     | \$ (6,777,895)      |
| <b>Items not affecting cash:</b>                             |                                    |                     |
| Share-based payments (Note 7)                                | 371,293                            | 1,646,608           |
| Amortization   | 131,640                            | 910,762             |
| Issuance of common shares for accrued interest (Note 6)      | 67,307                             | -                   |
| Accrued interest on convertible debentures                   | 14,632                             | -                   |
| Accrued interest on secured notes                            | 6,000                              | -                   |
| Gain on disposal of long-lived assets                        | (10,202)                           | (98,121)            |
| Accretion on secured notes (Note 8)                          | -                                  | 162,467             |
|  | <b>(1,185,231)</b>                 | <b>(4,156,179)</b>  |
| <b>Changes in non-cash working capital items</b>             |                                    |                     |
| Accounts receivable  | 27,370                             | 48,117              |
| Other receivables  | (10,318)                           | 830,937             |
| Prepaid expenses   | 30,600                             | 32,915              |
| Investment tax credits receivable                            | -                                  | 19,086              |
| Accounts payable and accrued liabilities                     | (214,566)                          | 1,534,707           |
|  | <b>(166,914)</b>                   | <b>2,465,762</b>    |
| <b>Net cash used in operating activities</b>                 | <b>(1,352,145)</b>                 | <b>(1,690,417)</b>  |
| <b>Cash flows generated from financing activities</b>        |                                    |                     |
| Issuance of shares   | 1,476,525                          | 1,066,800           |
| Issuance of shares for services                              | 20,000                             | -                   |
| Issuance of short term loan (Note 10(d))                     | (200,000)                          | -                   |
| Repayment of short term loan (Note 10(d))                    | 200,000                            | -                   |
| Repayment of finance lease obligations                       | -                                  | (4,781)             |
| <b>Net cash generated from financing activities</b>          | <b>1,496,525</b>                   | <b>1,062,019</b>    |
| <b>Cash flows generated from investing activities</b>        |                                    |                     |
| Proceeds from disposal of property and equipment             | 10,202                             | 245,069             |
| Purchase of property and equipment                           | -                                  | (35,433)            |
| <b>Net cash generated from investing activities</b>          | <b>10,202</b>                      | <b>209,636</b>      |
| <b>Net increase (decrease) in cash</b>                       | <b>154,582</b>                     | <b>(418,762)</b>    |
| <b>Cash, beginning of period</b>                             | <b>102,659</b>                     | <b>1,754,838</b>    |
| <b>Cash, end of period</b>                                   | <b>\$ 257,241</b>                  | <b>\$ 1,336,076</b> |
| <b>Supplemental cash flow information</b>                    |                                    |                     |
| Cash paid for interest                                       | \$ 231                             | \$ 8,012            |
| Issuance of shares for settlement of debt and trade payables | \$ 3,467,749                       | \$ 60,000           |

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

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

---

### 1. NATURE OF OPERATIONS AND GOING CONCERN

#### Nature of Operations

Keek Inc. (formerly Primary Petroleum Corporation) (the "Company"), was incorporated under the provisions of the Business Corporations Act in the Province of British Columbia on May 20, 2004 and on January 10, 2008, was continued under the laws of the Province of Alberta. The Company is a publicly traded company listed on the TSX Venture Exchange ("TSX-V") under the symbol "KEK". The Company's principal activity is the development of social media products and services for use by consumers and businesses, with a focus on mobile (iOS and Android) products. The Company's head office is 184 Front Street East, Suite 701, Toronto, Canada, M5A 4N3.

On March 5, 2014, Primary Petroleum Corporation ("Primary") completed a reverse acquisition with Keek Inc. ("Keek"), a private company incorporated under the laws of the Province of Ontario, which was effected pursuant to an amalgamation agreement entered into between Keek, Primary, and Primary's wholly-owned subsidiary, 2400964 Ontario Limited ("Primary Subco"), formed solely for the purpose of facilitating the amalgamation. Pursuant to the amalgamation agreement, Primary acquired all of the issued and outstanding common and preference shares of Keek by way of amalgamation between Primary Subco and Keek (the "Amalgamation"). The Amalgamation was structured as a three-cornered amalgamation, resulting in the amalgamated company becoming a wholly-owned subsidiary of Primary, and former shareholders of Keek receiving common shares of Primary on a one-for-one basis (the "Transaction"). Also, pursuant to the Transaction, substantially all outstanding options and warrants to acquire preference shares in Keek were exchanged for options and warrants with similar terms to acquire common shares in Primary.

Although the Transaction resulted in Keek becoming a wholly-owned subsidiary of Primary, the Transaction constitutes a reverse acquisition of Primary by Keek in-as-much as the former shareholders of Keek received 56.25%, on a non-diluted basis, of the issued and outstanding common shares of the resulting corporation. For accounting purposes, Keek is considered the acquirer and Primary the acquiree. Accordingly, these condensed consolidated interim financial statements are a continuation of the financial statements of Keek and references to the "Company" will mean the consolidated entity subsequent to the date of the Transaction and to Keek prior to that date.

Following the closing of the Transaction, Primary filed articles of amendment to change its name to Keek Inc.

These condensed consolidated interim financial statements for the six months ended August 31, 2016 and 2015, include the financial position and results of Keek, Primary, and Primary Petroleum Canada Corporation ("PPCC") (a wholly-owned subsidiary of Primary).

#### Going Concern

While these condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis that presumes the Company will continue in operation for the foreseeable future and that the realization of assets and discharge of liabilities and commitments will occur in the normal course of business, there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern.

During the six months ended August 31, 2016, the Company incurred a net loss of \$1,765,901 (August 31, 2015 - \$6,777,895) and, as of that date, the Company had accumulated a deficit of \$76,792,470 (February 29, 2016 - \$75,026,569) and negative cash flows from operations of \$1,352,145 (August 31, 2015 - \$1,690,417). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. These factors create material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

---

### 1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

#### Going Concern (Continued)

The Company has not yet realized profitable operations and has mainly relied on non-operational sources of financing to fund operations. Management has been able to raise sufficient funds to finance its operations in the past through private placements of both equity and debt and will need to continue to do so to fund operations in the future. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

### 2. BASIS OF PREPARATION

#### Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee, and using International Accounting Standard ("IAS") 34, "*Interim Financial Reporting*".

These condensed consolidated interim financial statements follow the same basis of presentation, accounting policies, and methods of computation as were followed in the preparation of Keek's annual audited consolidated financial statements for the year ended February 29, 2016. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with Keek's annual audited consolidated financial statements for the year ended February 29, 2016.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on October 28, 2016.

#### Basis of Presentation

These condensed consolidated interim financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiaries.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities which have been measured at their fair values.

#### Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Keek and PPCC. The accounting policies of the subsidiaries align with the policies adopted by the Company. Subsidiaries include all entities controlled by the Company. Control exists when the Company has power over the investee, or is exposed, or has rights, to variable returns and the power to affect its returns. All intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.



# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

---

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are outlined in the annual audited consolidated financial statements of the Company as at and for the year ended February 29, 2016, and have been applied consistently to all periods presented in these financial statements.

#### Adoption of New or Amended Accounting Standards

The Company did not adopt any new standards, amendments to standards, or interpretations during the six months ended August 31, 2016.

#### Accounting Standards and Amendments Issued but Not Yet Applied

The following pronouncements have been issued by the IASB or IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the summary below. The following have not yet been adopted and are being evaluated to determine the resulting impact to the Company.

IFRS 9, *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39") for debt instruments. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect IFRS 9 to have a material impact on the financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014, replacing IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*.

In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs.

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounting Standards and Amendments Issued but Not Yet Applied (Continued)

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company does not expect IFRS 15 to have a material impact on the financial statements.

IFRS 16, *Leases* ("IFRS 16"), was issued in January 2016. IFRS 16 requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, although early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same time as IFRS 16. The Company is still evaluating the impact of IFRS 16 on the financial statements, the impact could be material.

### 4. PROPERTY AND EQUIPMENT

#### For the Six Months Ended August 31, 2016

|                                       | February 29,<br>2016  | Additions<br>(amortization) | Disposals and<br>write-downs | August 31,<br>2016    |
|---------------------------------------|-----------------------|-----------------------------|------------------------------|-----------------------|
| <b>Cost</b>                           |                       |                             |                              |                       |
| Computers                             | \$ 362,781            | \$ -                        | \$ -                         | \$ 362,781            |
| Furniture and fixtures                | 25,017                | -                           | -                            | 25,017                |
| Servers                               | 4,860,265             | -                           | (10,202)                     | 4,850,064             |
| Software                              | 68,701                | -                           | -                            | 68,701                |
| Telephones                            | 16,502                | -                           | -                            | 16,502                |
| <b>Total cost</b>                     | <b>\$ 5,333,266</b>   | <b>\$ -</b>                 | <b>\$ (10,202)</b>           | <b>\$ 5,323,065</b>   |
| <b>Accumulated amortization</b>       |                       |                             |                              |                       |
| Computers                             | \$ (328,518)          | \$ (18,876)                 | \$ -                         | \$ (347,394)          |
| Furniture and fixtures                | (21,078)              | (3,939)                     | -                            | (25,017)              |
| Servers                               | (4,741,756)           | (105,680)                   | 10,202                       | (4,837,234)           |
| Software                              | (68,701)              | -                           | -                            | (68,701)              |
| Telephones                            | (16,481)              | (21)                        | -                            | (16,502)              |
| <b>Total accumulated amortization</b> | <b>\$ (5,176,534)</b> | <b>\$ (128,516)</b>         | <b>\$ 10,202</b>             | <b>\$ (5,294,848)</b> |
| <b>Carrying value</b>                 |                       |                             |                              |                       |
| Computers                             | \$ 34,263             | \$ (18,876)                 | \$ -                         | \$ 15,387             |
| Furniture and fixtures                | 3,942                 | (3,939)                     | -                            | -                     |
| Servers                               | 118,509               | (105,680)                   | -                            | 12,829                |
| Software                              | -                     | -                           | -                            | -                     |
| Telephones                            | 21                    | (21)                        | -                            | -                     |
| <b>Total carrying value</b>           | <b>\$ 156,735</b>     | <b>\$ (128,516)</b>         | <b>\$ -</b>                  | <b>\$ 28,216</b>      |

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 4. PROPERTY AND EQUIPMENT (Continued)

#### For the Year Ended February 29, 2016

|                                       | February 28,<br>2015  | Additions<br>(amortization) | Disposals and<br>write-downs | February 29,<br>2016  |
|---------------------------------------|-----------------------|-----------------------------|------------------------------|-----------------------|
| <b>Cost</b>                           |                       |                             |                              |                       |
| Computers                             | \$ 352,142            | \$ 10,639                   | \$ -                         | \$ 362,781            |
| Furniture and fixtures                | 34,067                | -                           | (9,050)                      | 25,017                |
| Servers                               | 5,842,713             | 14,123                      | (996,571)                    | 4,860,265             |
| Software                              | 68,701                | -                           | -                            | 68,701                |
| Telephones                            | 16,502                | -                           | -                            | 16,502                |
| <b>Total cost</b>                     | <b>\$ 6,314,125</b>   | <b>\$ 24,762</b>            | <b>\$ (1,005,621)</b>        | <b>\$ 5,333,266</b>   |
| <b>Accumulated amortization</b>       |                       |                             |                              |                       |
| Computers                             | \$ (265,149)          | \$ (63,369)                 | \$ -                         | \$ (328,518)          |
| Furniture and fixtures                | (7,485)               | (16,233)                    | 2,640                        | (21,078)              |
| Servers                               | (4,116,321)           | (1,481,470)                 | 856,035                      | (4,741,756)           |
| Software                              | (63,780)              | (4,921)                     | -                            | (68,701)              |
| Telephones                            | (14,336)              | (2,145)                     | -                            | (16,481)              |
| <b>Total accumulated amortization</b> | <b>\$ (4,467,071)</b> | <b>\$ (1,568,138)</b>       | <b>\$ 858,675</b>            | <b>\$ (5,176,534)</b> |
| <b>Carrying value</b>                 |                       |                             |                              |                       |
| Computers                             | \$ 86,993             | \$ (52,730)                 | \$ -                         | \$ 34,263             |
| Furniture and fixtures                | 26,585                | (16,233)                    | (6,410)                      | 3,942                 |
| Servers                               | 1,726,392             | (1,467,347)                 | (140,536)                    | 118,509               |
| Software                              | 4,921                 | (4,921)                     | -                            | -                     |
| Telephones                            | 2,166                 | (2,145)                     | -                            | 21                    |
| <b>Total carrying value</b>           | <b>\$ 1,847,057</b>   | <b>\$ (1,543,376)</b>       | <b>\$ (146,946)</b>          | <b>\$ 156,735</b>     |

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised of the following:

|                     | August 31, 2016     | February 29, 2016   |
|---------------------|---------------------|---------------------|
| Trade payables      | \$ 2,824,745        | \$ 2,906,383        |
| Accrued liabilities | 624,463             | 744,991             |
|                     | <b>\$ 3,449,208</b> | <b>\$ 3,651,374</b> |

During the six months ended August 31, 2016, the Company settled trade payables with a fair value of \$21,245 (August 31, 2015 - \$Nil) through the issuance of 32,928 common shares at a weighed average price of \$0.25 per share, and cash payments of \$1,952, resulting in a gain on settlement of trade payables of \$11,061. See note 6.

### 6. SHARE CAPITAL

#### Authorized

Unlimited Preference shares, no stated dividend, non-participating, non-voting  
Unlimited Common shares, no par value

The Company filed articles of amendment effective January 15, 2015, consolidating the common shares of Keek Inc., on the basis of one (1) common share for every thirty (30) common shares. The share consolidation has been applied retrospectively for all periods presented.

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 6. SHARE CAPITAL (Continued)

On March 4, 2016, the Company issued 32,928 common shares to settle trade payables of \$8,232 at a price of \$0.25 per share.

On March 4, 2016, the Company issued 80,000 common shares to a director as compensation for director fees of \$20,000 at a price of \$0.25 per share.

On March 18, 2016, the Company completed a non-brokered private placement of 3,000,000 units at a price of \$0.25 per unit, including 520,000 units issued to Riavera Corp., a significant shareholder of the Company, ("Riavera"), for gross proceeds of \$750,000. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.30 per share for a period of 12 months from the closing date. The common share purchase warrants have an ascribed value of \$196,793. The Company paid \$8,475 in finder's fees to arm's length parties in relation to this private placement.

On March 25, 2016, the Company completed a non-brokered private placement of 3,000,000 units at a price of \$0.25 per unit, including 514,000 units issued to the Company's CEO, for gross proceeds of \$750,000. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.30 per share for a period of 12 months from the closing date. The common share purchase warrants have an ascribed value of \$194,569. The Company paid \$15,000 in finder's fees to arm's length parties in relation to this private placement.

On March 25, 2016, as a result of the above aggregate financings and pursuant to an automatic conversion feature (see note 9), \$3,392,210 principal amount of 7% secured convertible debentures due March 1, 2017, (\$3,381,000 of which were held by Riavera), as well as all accrued interest, automatically converted according to its terms, into common shares of the Company at a price of \$0.25 per share. Principal and interest accrued on the notes to March 24, 2016, equaled \$3,459,517 and resulted in the issuance of 13,838,067 common shares (of which, 13,792,333 were issued to Riavera).

#### Warrants

During the six months ended August 31, 2016, the fair value of warrants of \$391,362 issued upon the non-brokered private placement financings was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

|                              | <b>August 31, 2016</b> |
|------------------------------|------------------------|
| Risk free interest rate (%)  | <b>0.54</b>            |
| Expected volatility (%)*     | <b>100</b>             |
| Expected life (in years)     | <b>1.00</b>            |
| Expected dividends           | <b>Nil</b>             |
| Weighted average share price | <b>\$0.28</b>          |

\*Based on comparable companies in the industry

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 6. SHARE CAPITAL (Continued)

#### Warrants (Continued)

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

|                   | Six Months Ended<br>August 31, 2016 |                                       | Year Ended<br>February 29, 2016 |                                       |
|-------------------|-------------------------------------|---------------------------------------|---------------------------------|---------------------------------------|
|                   | Number of<br>Warrants               | Weighted<br>Average<br>Exercise Price | Number of<br>Warrants           | Weighted<br>Average<br>Exercise Price |
| Beginning balance | 7,000,000                           | \$ 0.25                               | 180,498                         | \$ 3.00                               |
| Granted           | 6,000,000                           | \$ 0.30                               | 7,000,000                       | \$ 0.25                               |
| Expired/Cancelled | -                                   | \$ -                                  | (180,498)                       | \$ 3.00                               |
| Ending balance    | 13,000,000                          | \$ 0.27                               | 7,000,000                       | \$ 0.25                               |

The Company had the following warrants outstanding at August 31, 2016:

| Number of Warrants | Exercise Price | Expiry Date       | Ascribed Value    |
|--------------------|----------------|-------------------|-------------------|
| 3,000,000          | \$0.30         | March 18, 2017    | \$ 196,793        |
| 3,000,000          | \$0.30         | March 25, 2017    | 194,569           |
| 1,250,000          | \$0.25         | July 9, 2018      | 98,528            |
| 4,084,000          | \$0.25         | August 14, 2018   | 288,223           |
| 1,666,000          | \$0.25         | September 3, 2018 | 161,347           |
| <b>13,000,000</b>  |                |                   | <b>\$ 939,460</b> |

#### Stock Option Plan

The Company has a stock option plan (the "Plan") which provides for the issuance of stock options to directors, officers, employees, consultants, and preferred partners with exercise prices not less than the discounted market price on the date of grant. The Plan restricts the maximum number of stock options authorized by the Board of Directors for issuance at any one time to 20% of the issued and outstanding common shares of the Company, being 8,903,254 as at August 31, 2016. Options granted under the Stock Option Plan to persons who do not perform investor relations activities for the Company vest over a thirty month period as to 10% vesting immediately; 10% vest in six months from grant date and 20% every six months thereafter, unless the Board of Directors determines otherwise, in which case options may have a longer or shorter vesting period, or no vesting period at all. Options granted to consultants performing investor relations activities vest in stages over 12 months with no more than one quarter of the options vesting in any three month period.

The following summarizes the stock option activities under the Plan:

|                   | Six Months Ended<br>August 31, 2016 |                                       | Year Ended<br>February 29, 2016 |                                       |
|-------------------|-------------------------------------|---------------------------------------|---------------------------------|---------------------------------------|
|                   | Number of<br>Options                | Weighted<br>Average<br>Exercise Price | Number of<br>Options            | Weighted<br>Average<br>Exercise Price |
| Beginning balance | 3,385,824                           | \$ 1.49                               | 2,074,711                       | \$ 4.54                               |
| Granted           | 2,565,000                           | \$ 0.30                               | 2,814,000                       | \$ 1.12                               |
| Expired/Cancelled | (707,329)                           | \$ 1.00                               | (1,427,887)                     | \$ 5.23                               |
| Exercised         | -                                   | \$ -                                  | (75,000)                        | \$ 1.00                               |
| Ending balance    | 5,243,495                           | \$ 0.85                               | 3,385,824                       | \$ 1.49                               |
| Exercisable       | 3,678,929                           | \$ 1.04                               | 3,158,192                       | \$ 1.38                               |

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 6. SHARE CAPITAL (Continued)

#### Stock Option Plan (Continued)

The Company had the following options outstanding at August 31, 2016:

| Exercise Price | Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Options Exercisable | Weighted Average Exercise Price (Exercisable) |
|----------------|---------------------|---|---------------------------------|---------------------|---|
| \$0.30         | 2,565,000           | 4.62 years                                  | \$0.30                          | 1,026,000           | \$0.30  |
| \$1.00         | 89,000              | 3.41 years                                  | \$1.00                          | 89,000              | \$1.00  |
| \$1.12         | 2,440,000           | 4.01 years                                  | \$1.12                          | 2,440,000           | \$3.00  |
| \$3.00         | 14,999              | 2.40 years                                  | \$3.00                          | 14,999              | \$3.00  |
| \$4.80         | 11,666              | 2.62 years                                  | \$4.80                          | 9,333               | \$4.80  |
| \$5.10         | 116,166             | 2.91 years                                  | \$5.10                          | 92,933              | \$5.10  |
| \$15.00        | 3,332               | 1.34 years                                  | \$15.00                         | 3,332               | \$15.00                                       |
| \$30.00        | 3,332               | 2.95 years                                  | \$30.00                         | 3,332               | \$30.00                                       |
|                | <b>5,243,495</b>    | <b>4.51 years</b>                           | <b>\$0.85</b>                   | <b>3,678,929</b>    | <b>\$1.04</b>                                 |

#### Maximum Share Dilution

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options, warrants, and convertible debentures were exercised or converted into common shares.

|  | August 31, 2016   | February 29, 2016 |
|--|-------------------|-------------------|
| Common shares outstanding                            | 44,516,271        | 24,565,276        |
| Stock options outstanding to purchase common shares  | 5,243,495         | 3,385,824         |
| Warrants outstanding to purchase common shares       | 13,000,000        | 7,000,000         |
| Convertible debentures convertible to common shares* | -                 | 3,450,914         |
| <b>Fully diluted common shares outstanding</b>       | <b>62,759,766</b> | <b>38,402,014</b> |

\*Based on a conversion price of \$1.00 (see also Note 9)

### 7. SHARE-BASED PAYMENTS

The total compensation expense relating to share-based payments granted to directors, officers, employees, service consultants and preferred partner consultants for the six months ended August 31, 2016, was \$371,293 (August 31, 2015 - \$1,646,608) with a corresponding charge to contributed surplus. In the absence of a reliable measurement of the fair value of the services received from service consultants and preferred partner consultants, the services have been measured at the fair value of the options issued.

For the six months ended August 31, 2016, share-based compensation expense related to directors, officers, employees and service consultants in the amount of \$371,293 (August 31, 2015 - \$1,764,276) is included in salaries and benefits. Share-based compensation expense related to share-based payments granted to preferred partner consultants for the six months ended August 31, 2016, in the amount of \$Nil (August 31, 2015 - recovery of \$117,668) is included in advertising and marketing.

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 7. SHARE-BASED PAYMENTS (Continued)

For the three months ended August 31, 2016, share-based compensation related to directors, officers, employees and service consultants in the amount of \$155,543 (August 31, 2015 - \$1,315,840) is included in salaries and benefits. Share-based compensation related to share-based payments granted to preferred partner consultants for the three months ended August 31, 2016, in the amount of \$Nil (August 31, 2015 - recovery of \$271,710) is included in advertising and marketing.

The fair value of the stock options was determined using the Black-Scholes option pricing model. The expected volatility is based on comparable companies in the industry. The share price used in the determination of fair value of the share-based compensation relating to options granted after March 5, 2014 (the date of the reverse acquisition transaction) was based on the most recent market price of common shares. Prior to the reverse acquisition transaction, the share price used was based on the most recent issuance of preference shares.

The weighted average fair value of options granted during the six months ended August 31, 2016, was \$0.18 per option (year ended February 29, 2016 - \$0.81).

The fair value of stock options was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

|                              | August 31, 2016 | February 29, 2016 |
|------------------------------|-----------------|-------------------|
| Risk free interest rate (%)  | 0.78            | 0.42              |
| Expected volatility (%)*     | 100             | 100               |
| Expected life (in years)     | 5.00            | 5.00              |
| Expected dividends           | Nil             | Nil               |
| Forfeiture rate (%)          | Nil             | Nil               |
| Weighted average share price | \$0.25          | \$1.10            |

\*Based on comparable companies in the industry

### 8. SECURED NOTES

The secured notes (the "Notes") bear interest at a rate of 12% per annum on the principal amount outstanding and are repayable twelve months from the date issued. The Notes are secured by a General Security Agreement over all present and future assets and intangibles of the Company.

Between November 2014 and February 2015 the Company issued \$5,415,000 aggregate principal amount Notes, including \$3,000,000 aggregate principal amount Notes to Pinetree Capital Ltd. (TSX: PNP) ("Pinetree"), a former significant shareholder of the Company, and \$270,000 to certain former directors and officers of the Company. In consideration for the Notes, the Company issued 180,498 non-transferable common share purchase warrants exercisable at \$3.00, including 100,000 to Pinetree and 9,000 to certain former directors and officers of the Company.

On November 27, 2015, \$2,305,000 aggregate principal amount Notes plus accrued interest of \$242,303 were converted into 5,419,795 common shares of the Company at a price of \$0.47 per share.

The Pinetree Notes were acquired by Riavera in November 2015 and amended on December 2, 2015, with the Company, to become convertible debentures (see note 9).

On November 24, 2015, \$100,000 principal amount Notes matured. These Notes were not amended or converted and remain outstanding as at August 31, 2016, with interest continuing to be accrued.

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 8. SECURED NOTES (Continued)

The share purchase warrants originally granted in relation to the Notes were cancelled upon conversion or amendment of the Notes, as applicable.

For accounting purposes, the Notes were initially separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Notes assuming a 18.6% effective interest rate (19.1% effective interest rate after considering transaction costs), which was the estimated rate for the Notes without the warrants attachment. The fair value of the equity component (the warrants) was determined at the time of issue as the difference between the face value of the Notes and the fair value of the liability component.

The following table summarize the changes in the Company's Notes:

|  | Six Months Ended<br>August 31, 2016 | Year Ended<br>February 29, 2016 |
|--|-------------------------------------|---------------------------------|
| <b>Opening liability balance</b>             | \$ 100,000                          | \$ 5,176,594                    |
| Accretion of discount on secured notes       | -                                   | 238,406                         |
| Conversion of secured notes to common shares | -                                   | (2,305,000)                     |
| Amendment of secured notes                   | -                                   | (3,010,000)                     |
| <b>Ending liability balance</b>              | \$ 100,000                          | \$ 100,000                      |

During the six months ended August 31, 2016, the Company expensed a total of \$6,000 (August 31, 2015 - \$332,120) in interest related to the Notes and recorded interest accretion of \$Nil (August 31, 2015 - \$162,497).

### 9. CONVERTIBLE DEBENTURES

On December 2, 2015, the Company amended the terms of \$3,010,000 aggregate principal amount Notes and accrued interest of \$382,210 (the unpaid accrued interest on the Notes was added to the principal amount once amended), including \$3,000,000 aggregate principal Notes and accrued interest of \$379,790 held by Riavera (see Note 8), as follows: (1) extend the maturity date of the Notes to March 1, 2017; and (2) reduce the interest rate from 12% per annum to 7% per annum. In consideration for amending the existing terms of the Notes, the Company agreed to make the Notes (both principal and accrued interest) convertible into common shares of the Company at the option of the holder at any time prior to maturity. The conversion ratio is one (1) common share of Keek for every dollar of principal or interest converted. The amending terms also carry an automatic conversion feature which provides for an automatic conversion of the Notes should Keek conduct bona fide financing prior to the maturity date pursuant to which it receives aggregate gross proceeds of not less than \$1,000,000, whether by way of a private placement or an amalgamation, arrangement, merger, consolidation, reverse takeover, reorganization or other business combination or other similar transaction. The conversion price in the event of an automatic conversion would be equal to the subscription price or deemed price per share of the related financing. The automatic conversion feature was triggered during the six months ended August 31, 2016, see note 6.

For accounting purposes, the derivative conversion liability (represented by the conversion feature) was deemed to have a Nil value as the conversion price is expected to be at the deemed market price. The value of the liability component is accounted for at the time of issue as the residual amount after deducting the value of the derivative conversion liability component from the face value of the instrument. Therefore, the fair value of the liability component was determined at the time of issue to be recognized as the entire face value of the convertible debenture (host instrument).



# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 9. CONVERTIBLE DEBENTURES (Continued)

The following table summarize the changes in the Company's convertible debentures:

|                                      | Six Months Ended<br>August 31, 2016 | Year Ended<br>February 29, 2016 |
|--------------------------------------|-------------------------------------|---------------------------------|
| <b>Opening liability balance</b>     | <b>\$ 3,392,210</b>                 | <b>\$ -</b>                     |
| Issuance of convertible debentures   | -                                   | 3,392,210                       |
| Conversion of convertible debentures | <b>(3,392,210)</b>                  | -                               |
| <b>Ending liability balance</b>      | <b>\$ -</b>                         | <b>\$ 3,392,210</b>             |

During the six months ended August 31, 2016, the Company accrued a total of \$14,632 (August 31, 2015 - \$Nil) in interest related to convertible debentures.

### 10. 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 by and agreed to by the related parties. Related party transactions for the six months ended August 31, 2016, are as follows:

- a) During the six months ended August 31, 2016, the Company paid \$150,000 (2015 - \$Nil) in consulting fees to Riavera in relation to management consulting and technology integration services.
- b) During the six months ended August 31, 2016, the Company accrued \$14,584 of interest (2015 - \$Nil) on \$3,381,000 aggregate principal amount convertible debentures held by Riavera (see note 9).
- c) On February 18, 2016, and March 9, 2016, Riavera issued unsecured promissory notes to the Company in the amounts of \$40,000 and \$50,000, respectively. The loans bear interest at 5% per annum and mature on March 30, 2016. The Company repaid the aggregate principal amount of \$90,000 plus interest of \$231 to Riavera on March 18, 2016.
- d) On March 22, 2016, the Company issued a short term loan to Personnas.com Corporation, a subsidiary of Riavera ("Personnas"), with a principal amount of \$200,000 to facilitate a joint product initiative under a technology platform license agreement. The loan bears interest at 5% per annum. Personnas repaid the principal amount of \$200,000 plus interest of \$4,108 to the Company on August 31, 2016.
- e) On April 14, 2016, the Company issued 1,900,000 options to certain directors and officers of the Company and 405,000 options to Personnas.com Corporation, a company controlled by Riavera, for an aggregate total of 2,305,000 options issued to insiders of the Company. The options have a contractual life of 5 years, are exercisable at \$0.30, and vest as to 20% immediately and 20% every 3 months thereafter.
- f) See note 6 for information relating to shares and warrants issued to the CEO of the Company.
- g) See note 6 for information relating to shares and warrants issued to Riavera.
- h) See notes 6 and 9 for information relating to the conversion of convertible debentures held by Riavera.
- i) See note 6 for information relating to shares issued to a director in compensation for director fees.

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

### 11. COMMITMENTS

The Company is committed to a lease of a premises at 1 Eglinton Avenue East, Suites 300, 401, and 416, in Toronto, Ontario. The lease of Suite 300 commenced on August 15, 2013, and ends on November 30, 2023. The lease of Suites 401 and 416 commenced on December 1, 2014, and ends on December 31, 2017. As at August 31, 2016, future minimum lease payments and estimated taxes, maintenance, and insurance payments over the remaining course of the lease are approximately as follows:

|                            | Minimum lease payments | Taxes, Maintenance, and Insurance (estimated) | Total estimated commitment |
|----------------------------|------------------------|---|----------------------------|
| Less than one year         | \$ 378,640             | \$ 495,958                                    | \$ 874,598                 |
| Between one and five years | 1,224,278              | 1,455,111                                     | 2,679,389                  |
| More than five years       | 686,473                | 791,463                                       | 1,477,936                  |
|                            | <b>\$ 2,289,391</b>    | <b>\$ 2,742,532</b>                           | <b>\$ 5,031,923</b>        |

### 12. LEGAL PROCEEDINGS

In June 2015, Kik Interactive Inc. ("Kik") served the Company with a trademark infringement lawsuit in the United States District Court for the Southern District of New York. Pursuant to a confidential settlement agreement entered into with Kik, the Company has agreed to phase out all use of the Keek trademarks on a worldwide basis. All outstanding litigation and trademark oppositions have been brought to an end.

The Company, in the course of its normal operations, is subject to claims, lawsuits, and contingencies. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company has no reason to believe that the ultimate outcome of these matters would have a significant impact on its consolidated financial position.

### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### (a) Fair Values

The carrying value of cash, accounts receivable, other receivables, and 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 values of the secured notes approximate their carrying amounts as they bear terms similar to that of comparable instruments.

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

---

### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### (a) Fair Values (Continued)

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 August 31, 2016, and February 29, 2016, 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 consolidated statements of financial position. The secured notes bear interest at a fixed rate of 12%, 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 into transactions denominated in currencies other than the Company's functional currency, which is the Canadian dollar. The maximum exposure to foreign currency risk is equal to amounts held in foreign currencies at the Statement of Financial Position date. As at August 31, 2016, the Company carried net current liabilities of CDN\$1,816,547 in USD\$ (February 29, 2016 - CDN\$1,784,288 in USD\$). Accordingly, a 5% change in the US dollar exchange rate as at August 31, 2016 would have resulted in an exchange gain or loss of CDN\$90,827 (February 29, 2016 - exchange gain or loss of CDN\$89,214).

#### (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 13(f) to the condensed consolidated interim financial statements. The Company has minimal income from operations and relies on equity and debt funding to support its development and corporate activities. Should the need for further equity or debt funding arise, there is a risk that the Company may not be able to sell new common shares at an acceptable price or debt instruments at an acceptable interest rate level.

Accounts payable and accrued liabilities and secured notes are due within the current operating period. As at August 31, 2016, the Company had total cash of \$257,241 (February 29, 2016 - \$102,659) to settle current liabilities of \$3,549,208 (February 29, 2016 - \$3,751,374) and finance future operations. As a result, the Company is exposed to significant liquidity risk.

# Keek Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Six Months Ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

---

### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### (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, accounts receivable, and other receivables. The Company's cash is on deposit with a Canadian Tier 1 chartered bank. Other receivables include input tax credits related to GST/HST filings. Accounts receivable are in the normal course of business with established entities and no material amount relates to any one specific entity. As a result, the Company's exposure to credit risk is minimal.

#### (f) Capital Management

The Company considers its capital to be its equity attributable to shareholders, which is comprised of share capital, contributed surplus, warrants reserve, and deficit, which as at August 31, 2016, amounted to a capital deficiency of \$3,062,518 (February 29, 2016 - capital deficiency of \$6,632,184).

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 app for the benefit of its shareholders.

There were no changes in the Company's management of its capital during the six months ended August 31, 2016. The Company is not subject to any externally imposed capital requirements.

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

### 14. SUBSEQUENT EVENTS

The following significant transactions occurred subsequent to the six months ended August 31, 2016:

- a) On September 9, 2016, the Company issued 40,000 common shares to settle trade payables of \$12,000 at a price of \$0.30 per share.
- b) In September 2016, the Company agreed to a settlement relating to trade payables of \$599,524. Pursuant to the terms of the settlement, the Company will make six payments of \$10,500 each, for total consideration of \$63,000, in full and final settlement of the liability, resulting in a gain on settlement of trade payables of \$536,524.
- c) In October 2016, the Company amended a technology platform licence agreement with Personas. The Agreement, entered into in August 2015, granted Personas a non-exclusive license to use and enhance Keek's existing technology platforms to facilitate monetary transactions between users as well as between users and merchants. Pursuant to the original Agreement, Personas was to pay Keek a licensing fee equal to 10% of the gross revenue earned through the use of Keek's platform. Following the amendment, Keek will receive 30% of the gross revenue earned through the use of Keek's platform. In addition, Keek obtained access to certain proprietary payment processing technology for use in existing and future ventures, under the same amended terms.
- d) On October 28, 2016, Personas issued a short term loan to the Company with a principal amount of \$100,000. The loan bears interest at 5% per annum and matures on November 28, 2016.