

Filemobile Inc.
Financial Statements
For the years ended June 30, 2014, June 30, 2013 and June 30, 2012

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Independent Auditor's Report

To the Shareholders of Filemobile Inc.,

We have audited the accompanying financial statements of Filemobile Inc., which comprise the statements of financial position and statements of shareholders' equity (deficit) as at June 30, 2014, June 30, 2013, June 30, 2012, and July 1, 2011, the statements of operations, comprehensive loss and cash flows for the years ended June 30, 2014, June 30, 2013, and June 30, 2012, 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 audits. We conducted our audits in accordance with International Financial Reporting Standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Filemobile Inc. as at June 30, 2014, June 30, 2013, June 30, 2012 and July 1, 2011, and its comprehensive loss and cash flows for the years ended June 30, 2014, June 30, 2013, and June 30, 2012, in accordance with International Financial Reporting Standards.

BDO Canada LLP

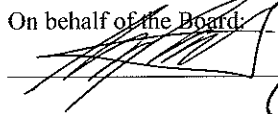
Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
October 28, 2014

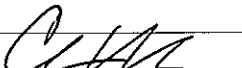
Filemobile Inc.
Statement of Financial Position
Expressed in Canadian Dollars

	June 30, 2014	June 30, 2013	June 30, 2012	July 1, 2011
Assets				
Current				
Cash	\$ 41,833	\$ 324	\$ -	\$ -
Accounts receivable	416,191	388,669	422,978	471,142
Other receivable	3,320	-	-	-
Prepaid expenses	21,880	10,525	10,525	10,525
Income tax recoverable	186,900	190,652	163,735	162,827
	670,124	590,170	597,238	644,494
Capital assets (Note 4)	20,733	16,886	22,356	32,041
	\$ 690,857	\$ 607,056	\$ 619,594	676,535
Liabilities and Shareholders' Equity (Deficit)				
Current				
Bank indebtedness (Note 5)	\$ -	\$ -	\$ 107,750	\$ 172,357
Line of credit (Note 6)	135,000	138,010	-	-
Accounts payable and accrued liabilities	143,407	123,913	113,986	128,888
Deferred revenue	180,541	185,953	392,437	466,417
Loan payable (Note 6)	-	-	11,026	11,026
Current portion of long term debt (Note 6)	25,036	-	-	-
	483,984	447,876	625,199	778,688
Long-term debt (Note 6)	174,964	-	-	-
	\$ 658,948	\$ 447,876	\$ 625,199	\$ 778,688
Shareholders' Equity (Deficit)				
Share capital (Note 7)	309,664	309,664	309,664	309,664
Contributed surplus (Note 8)	4,429,079	3,429,333	2,468,183	1,304,419
(Deficit) retained earnings	(4,706,834)	(3,579,817)	(2,783,452)	(1,716,236)
	\$ 31,909	\$ 159,180	\$ (5,605)	\$ (102,153)
	\$ 690,857	\$ 607,056	\$ 619,594	\$ 676,535

On behalf of the Board:



Director



Director

Filemobile Inc.

Statement of Operations and Comprehensive Income (Loss)
Expressed in Canadian Dollars

	June 30, 2014		June 30, 2013		June 30, 2012
Revenue	\$	1,990,100	\$	1,753,377	\$ 1,484,500
Expenses (Note 14)					
Administrative and corporate		1,279,689		1,221,162	1,277,924
Technical and development		1,055,514		702,595	720,669
Sales and marketing		794,936		616,800	551,892
		3,130,139		2,540,557	2,550,485
Loss before taxes		(1,140,039)		(787,180)	(1,065,985)
Provision for taxes (recovery)		(13,022)		9,185	1,231
Loss and comprehensive loss for the year		(1,127,017)		(796,365)	(1,067,216)
(Deficit), beginning of year		(3,579,817)		(2,783,452)	(1,716,236)
(Deficit), end of year	\$	(4,706,834)	\$	(3,579,817)	\$ (2,783,452)

Filemobile Inc.
Statement of Cash Flows
Expressed in Canadian Dollars

For the year ended,	June 30, 2014	June 30, 2013	June 30, 2012
Cash flows from operating activities			
Loss and comprehensive loss for the year	\$ (1,127,017)	\$ (796,365)	\$ (1,067,216)
Items not requiring an outlay of cash:			
Amortization	10,221	23,765	19,016
Stock- based compensation	999,746	961,150	1,163,764
Change in non- cash working capital balances			
Accounts receivable	(27,522)	34,309	48,164
Other receivable	(3,320)	-	-
Prepaid expenses	(11,355)	-	-
Investment tax credits receivable	3,752	(26,917)	(908)
Accounts payable and accrued liabilities	19,494	9,927	(14,902)
Deferred revenue	(5,412)	(206,484)	(73,980)
	(141,413)	(615)	73,938
Cash flow from investing activities			
Addition to capital assets	(14,068)	(18,295)	(9,331)
Cash flows from financing activities			
(Decrease) increase in line of credit	(3,010)	138,010	-
Repayment of loan payable	-	(11,026)	-
Increase (decrease) in long-term debt	200,000	-	-
	196,990	126,984	-
Net increase (decrease) in cash	41,509	108,074	64,607
Cash (bank indebtedness), beginning of year	324	(107,750)	(172,357)
Cash (bank indebtedness), end of year	\$ 41,833	\$ 324	\$ (107,750)

Filemobile Inc.
Statement of Shareholder's Equity
Expressed in Canadian dollars
Year ended June 30, 2014, 2013, 2012

		Share Capital			Contributed Surplus		Retained Earnings	Total
	Note	Number of shares	Amount		Amount		Amount	Amount
Balance June 30, 2011		1,177,110	\$ 309,664	\$	1,304,419	\$	(1,716,236)	\$ (102,153)
Net and comprehensive loss for the year							(1,067,216)	(1,067,216)
Stock-based compensation	8				1,163,764			1,163,764
Balance June 30, 2012		1,177,110	\$ 309,664	\$	2,468,183	\$	(2,783,452)	\$ (5,605)
Net and comprehensive loss for the year							(796,365)	(796,365)
Stock-based compensation	8				961,150			961,150
Balance June 30, 2013		1,177,110	\$ 309,664	\$	3,429,333	\$	(3,579,817)	\$ 159,180
Net and comprehensive loss for the year							(1,127,017)	(1,127,017)
Stock-based compensation	8				999,746			999,746
Balance June 30, 2014		1,177,110	\$ 309,664	\$	4,429,079	\$	(4,706,834)	\$ 31,909

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

1. NATURE OF BUSINESS

Filemobile Inc. ("Filemobile" or "the Company") was incorporated under the Ontario Business Corporations Act in 2006, has its registered office at 18 Mowat Drive (2nd Floor), Toronto, Ontario M6K 3E8, and is domiciled in Canada.

The Company provides a platform for gathering, organizing, and broadcasting social content, and operates as one reporting segment.

The Board of Directors approved these financial statements for issue on October 28, 2014.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These financial statements for the year ended June 30, 2014 and the comparative figure for the years ended June 30, 2013 and June 30, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and on a going concern basis, using the historical cost method and are presented in Canadian dollars, the Company's functional currency.

As the financial statements are the Company's first annual financial statements prepared using IFRS, certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with the pre-changeover Canadian GAAP have been included in these financial statements for the comparative annual period.

These financial statements should be read in conjunction with the explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company in Note 3.

The financial statements have been prepared using the significant accounting policies listed below which have been applied consistently across all years presented.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. These areas involving a higher degree of judgment of complexity or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

Revenue represents the fair value of consideration received or receivable from customers for services provided by the Company under contract, net of discounts and sales taxes. The Company receives revenue from ongoing subscriptions, from hosting services associated with those subscriptions, and from various licenses issued and services typically performed at the inception of a contract.

Typically, the Company's software subscription agreements are multiple-element arrangements that also include the provision of hosting, licensing and other service fees. These multiple-element arrangements are assessed to determine whether they should be treated as more than one unit of accounting or element for the purposes of revenue recognition. Consideration from the arrangement is allocated in multiple-element arrangements to the separate units of accounting, or element, on a relative fair value or residual method, as applicable. Revenue is recognized for each element according to the revenue recognition policy as noted below for each type of revenue. When an arrangement is accounted for a single unit of accounting, revenue is deferred and recognized over the terms as noted for each type of revenue below.

Subscription revenue is recognized on a straight-line basis over the term of the initial contract or the renewal period, as relevant.

Fees earned for hosting services are recognized as they are earned, on the accruals basis.

License fees and fees earned for services provided at the start of a contract are recognized on a straight-line basis over the life of the initial subscription contract plus one renewal period, as they are considered to have been provided to enable the resulting subscription, and not to have any stand-alone value to the customer.

The timing of revenue recognition may differ from the contractual billing arrangements in place with the customer. Amounts billed but not yet earned are reported within deferred revenue. Amounts earned but not yet billed are reported within accounts receivable.

From time to time, the company enters into a non-monetary exchange of goods or services with customers or suppliers. The value of such services is measured using the company's standard contractual rates for the services provided, and are recognized using the same accounting policies as all other sources of revenue. The company recognized revenue of \$101,250 in the year ended June 30, 2014 and \$18,750 in the year ended June 30, 2013 derived from transactions settled by the exchange of goods and services.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash, accounts and other receivables, accounts and other payables, and indebtedness held at banks or with various other parties.

All financial instruments are initially recorded at fair value and are subsequently measured based on their classification as described below. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows have expired or the Company has transferred all the risks and rewards of ownership to another party. Financial liabilities are derecognized when the related contractual obligations are discharged, cancelled or expire. Financial instruments are reported separately and only offset when there is a legally enforceable right to settle them via offset and the Company intends to do so.

The Company's financial assets are classified as 'available for sale' or 'loans and receivables' as described below:

- Cash and cash equivalents comprise deposits held with banks and other short-term highly-liquid investments with original maturities of three months or less. Cash and cash equivalents are classified as "available for sale" and are carried at amortized cost, which is equivalent to fair value.
- Accounts and other receivables are classified as "loans and receivables" and, after initial recognition, are carried at amortized cost, less any provision for expected impairment.

All financial liabilities are classified as "other financial liabilities" and, after initial recognition, are measured at amortized cost.

CAPITAL ASSETS

Capital assets are initially recorded at cost, and subsequently measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded using the diminishing balance method at rates calculated to amortize the cost over their estimated useful lives as follows:

Computer	45% per annum
Furniture and Fixtures	20% per annum
Leasehold improvements	Straight-line basis over term of lease

One-half the amortization is taken in the years of acquisition and disposition. Amortization methods are reviewed annually and adjusted if necessary. Amortization and any impairment losses are recognized in operations.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss of the current year, and any adjustment to income taxes payable in respect or previous years. Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probably that future taxable profit will be available which allow the deferred future tax asset to be realized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of any deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date, and are expected to apply when the liabilities or assets are settled or recovered.

RESEARCH AND DEVELOPMENT COSTS

Expenditures related to research are expensed as incurred and are reduced by related investment tax credits. Such credits are recognized in operations when there is reasonable assurance that they will be received by the company. Expenditures during the development phase are capitalized if certain criteria, including technical feasibility and intent and ability to use or sell the technology, are met. Otherwise, such expenditures are expensed as incurred.

INVESTMENT TAX CREDITS

The Company qualifies for certain investment tax credits related to the research and development of its computer software. These credits are recognized in operations for items of a period expense nature, or as a reduction of the related capital assets for items of a capital nature. Such credits are only recognized when the amount is reliably estimable, and the Company has reasonable assurance that the credit will be realized.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

USE OF ESTIMATES OR JUDGMENTS

The preparation of financial statements under IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgments in applying the Company's accounting policies. These estimates and judgments will affect the reported amounts of assets, liabilities, revenues and expenses, and may differ from the actual outcome.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. Changes in such estimates or assumptions, or differences between the estimate and the actual outcome, will be recorded with a corresponding effect in operations.

The areas involving a higher degree of estimate, judgment or complexity which may be significant to the financial statements are described below:

- Impairment of financial assets (primarily relates to accounts receivable) - Management reviews financial assets at each reporting date, and considers whether there are indicators of impairment. Although not conclusive, and subject to management's judgment of collectability, possible indicators of impairment include an item being more than 120 days overdue, or subject to other specific concerns. Bad debts are written off in full when management has determined that the probability of receipt is remote.
- Impairment of non-financial assets (primarily relates to capital assets and future income tax assets) – Management evaluates such assets at each reporting date and evaluates whether events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly.
- Contingencies – Management evaluates whether any events have occurred that give rise to a legal or constructive obligation of the Company, and the probability that there may be an outflow of economic resources as a result. In evaluating whether provision is needed for any such events, management will consider currently known factors that existed as at the reporting date.
- Stock-based compensation – The calculation of the expense relating to the issue of stock options derives from a mathematical model, which has several inputs that are variable in nature and subject to judgment. The inputs used have a material impact on the resulting calculation, and are described more fully in Note 8.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the Company's functional currency are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-measured to the functional currency using the exchange rate at that date. Foreign currency differences arising from re-measurement are recognized through operations.

NEW OR AMENDED ACCOUNTING STANDARDS NOT YET ADOPTED

As at June 30, 2014, various new or amended accounting standards had been issued but not yet adopted by the Company. Management has provisionally identified the following new or amended standards which may affect the Company, and is currently evaluating their potential effect on future financial statements:

- IFRS 9 "Financial Instruments" and IAS 32 "Financial Instruments: Presentation" retain but simplify the existing measurement model for financial instruments, and provide additional guidance on when financial assets and liabilities may be offset against each other.
- IFRS 36 "Impairment of assets" has been amended to provide additional guidance on required disclosures for recoverable amounts of non-financial assets.

3. FIRST TIME ADOPTION OF IFRS

Effective June 30, 2012, the Company adopted the requirements of International Financial Reporting Standards (IFRS), as codified in Part I of the CPA Canada Handbook – Accounting. These are the Company's first financial statements prepared in accordance with this framework and the transitional provisions of IFRS 1 "First-time adoption of International Financial Reporting Standards" have been applied.

These transitional provisions require retrospective application of IFRS, with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 2 above have been applied in preparing the financial statements for the years ended June 30, 2014, 2013 and 2012, and in the preparation of an opening IFRS statement of financial position at the date of transition of July 1, 2011.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

3. FIRST TIME ADOPTION (continued)

The IFRS 1 applicable mandatory exception applied in the conversion of the financial statements prepared by management to IFRS is as follows:

Estimates

The estimates previously made by the Company were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to create or review estimates.

The adoption of IFRS has resulted in adjustments to the previously reported assets, liabilities, equity, net income and cash flows of the Company for all periods presented prepared by management. These adjustments are presented below:

- (a) The financial statements have adjusted the revenue recognition for license fees earned but unbilled until the following month. Therefore, the adjustment reflects unbilled revenue accrual for each of the years presented.
- (b) The financial statements have been adjusted to reflect management's assessment of the allowance required at each period end as required for specific accounts, typically those greater than 120 days overdue.
- (c) The financial statements were previously presented using the taxes payable method. However, IFRS does not allow the taxes payable method but requires the use of the deferred tax method. The adjustment shows the effect of this change for each of the years presented.
- (d) The financial statements had recognized license fees or fees for services as they were invoiced, rather than recognizing the related revenue over the subscription period. The adjustments bring the revenue recognition in line with the accounting policies as outlined in the significant accounting policies as described in Note 2.
- (e) The financial statements had not included an expense relating to stock-based compensation. Therefore, the adjustment related to the recording of stock based compensation for stock options granted over all periods presented as disclosed in note 8.
- (f) A reclassification was recorded in the amount of \$26,350 relating to the timing of receipts to accounts receivable and the line of credit.
- (g) Reclassification of credit balances in accounts receivable to accounts payable.
- (h) The previous financial statements had not accrued certain payroll taxes.

The transition to IFRS had no effect on reported cash flows in any period.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

3. FIRST TIME ADOPTION (continued)

As at June 30, 2014	Pre-changeover Accounting Standards	Errors and IFRS Transitional Adjustments	Notes	IFRS
Assets				
Current				
Cash	\$ 41,833	\$ -		\$ 41,833
Accounts receivable	390,385	33,219 (a)		416,191
		(16,413) (b)		
		9,000 (g)		
Other receivable	3,320	-		3,320
Prepaid expenses	21,880	-		21,880
Income tax recoverable	173,878	13,022 (c)		186,900
	631,296	38,828		670,124
Capital Assets (Note 4)	20,733	-		20,733
	\$ 652,029	\$ 38,828		\$ 690,857
Liabilities and Shareholder's Equity				
Current				
Bank indebtedness (Note 5)	\$ -	\$ -		\$ -
Line of credit (Note 6)	135,000	-		135,000
Accounts payable and accrued liabilities	134,407	9,000 (g)		143,407
Employee deductions payable	-	-		-
Deferred revenue	92,098	88,443 (d)		180,541
Current portion of long term debt (Note 6)	25,036	-		25,036
	386,541	97,443		483,984
Long term debt	174,964	-		174,964
	\$ 561,505	\$ 97,443		\$ 658,948
Shareholder's Equity				
Share capital	\$ 309,664	\$ -		\$ 309,664
Contributed surplus	-	4,429,079 (e)		4,429,079
(Deficit) retained earnings	(219,140)	(4,487,694)		(4,706,834)
	\$ 90,524	\$ (58,615)		\$ 31,909
	\$ 652,029	\$ 38,828		\$ 690,857

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

3. FIRST TIME ADOPTION (continued)

For the Year Ended June 30, 2014	Pre-changeover Accounting Standards	Errors and IFRS Transitional adjustments	Notes	IFRS
Revenue	\$ 1,876,974	\$ 113,126	(a) (d)	\$ 1,990,100
Expenses				
Administrative and corporate	681,843	(41,754) 639,600	(b)	1,279,689
Technical and development	1,035,341	20,173	(c)	1,055,514
Sales and marketing	454,963	339,973	(c)	794,936
	<u>2,172,147</u>	<u>957,992</u>		<u>3,130,139</u>
Loss before taxes	\$ (295,173)	(844,866)		\$ (1,140,039)
Provision for taxes (recovery)	-	(13,022)	(c)	(13,022)
Loss and comprehensive loss for the year	(295,173)	(831,844)		(1,127,017)
(Deficit) retained earnings, beginning of year	\$ 76,033	(3,655,850)		\$ (3,579,817)
(Deficit), end of year	\$ (219,140)	(4,487,694)		\$ (4,706,834)

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

3. FIRST TIME ADOPTION (continued)

As at June 30, 2013	Pre-changeover	Errors and IFRS	Notes	IFRS
Assets	Accounting Standards	Transitional Adjustments		
Current				
Cash	\$ 324	\$ -	\$	324
Accounts receivable	430,732	16,103 (58,166)	(a) (b)	388,669
Other receivable	-	-		-
Prepaid expenses	10,525	-		10,525
Income tax recoverable				
	190,652	-		190,652
	632,233	(42,063)		590,170
Capital Assets (Note 4)	16,886	-		16,886
	\$ 649,119	(42,063)	\$	607,056
Liabilities and Shareholder's Equity				
Current				
Bank indebtedness (Note 5)	\$ -	\$ -	\$	-
Line of credit (Note 6)	138,010	-		138,010
Accounts payable and accrued liabilities	123,913	-		123,913
Deferred revenue	1,500	184,453	(d)	185,953
Current portion of long term debt (Note 7)	-	-		-
	263,423	184,453		447,876
Long term debt	-	-		-
	\$ 263,423	184,453	\$	447,876
Shareholder's Equity				
Share capital	\$ 309,664	\$ -	\$	309,664
Contributed surplus	-	3,429,333	(e)	3,429,333
(Deficit) retained earnings	76,032	(3,655,849)		(3,579,817)
	\$ 385,696	(226,516)	\$	159,180
	\$ 649,119	(42,063)	\$	607,056

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

3. FIRST TIME ADOPTION (continued)

For the Year Ended June 30, 2013	Pre-changeover Accounting Standards	Errors and IFRS Transitional Adjustments	Notes	IFRS
Revenue	\$ 1,589,933	\$ 163,444	(a)(d)	\$ 1,753,377
Expenses				
Administrative and corporate	566,362	42,195	(b)	1,221,162
Technical and development	700,611	612,605	(b)	
Sales and marketing	292,426	(9,185)	(c)	702,595
		11,169		
	1,559,399	324,374	(e)	616,800
Loss before taxes		981,158		2,540,557
	\$ 30,534	(817,714)		\$ (787,180)
Provision for taxes (recovery)	-	9,185		9,185
Loss and comprehensive loss for year	30,534	(826,899)		(796,365)
(Deficit), beginning of year				
	\$ 45,498	(2,828,950)		\$ (2,783,452)
(Deficit) retained earnings, end of year	\$ 76,032	(3,655,849)		\$ (3,579,817)

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

3. FIRST TIME ADOPTION (continued)

As at June 30, 2012	Pre-changeover Accounting Standards	Errors and IFRS Transitional Adjustments	Notes	IFRS
Assets				
Current				
Cash	\$ -	\$ -		\$ -
Accounts receivable	424,408	14,541 (a)		422,978
		(15,971) (b)		
Prepaid expenses	10,525	-		10,525
Income tax recoverable	163,735	- (c)		163,735
	598,668	(1,430)		597,238
Capital Assets (Note 4)	22,356	-		22,356
	\$ 621,024	(1,430)		\$ 619,594
Liabilities and Shareholder's Equity				
Current				
Bank indebtedness (Note 5)	\$ 107,750	\$ -		\$ 107,750
Line of credit (Note 6)	-	-		-
Accounts payable and accrued liabilities	100,986	13,000 (h)		113,986
Deferred revenue	46,100	346,337 (d)		392,437
Current portion of long term debt (Note 6)	11,026	-		11,026
	265,862	359,337		625,199
Long term debt	-	-		-
	\$ 265,862	359,337		\$ 625,199
Shareholder's Equity				
Share capital	\$ 270,577	\$ 39,087		\$ 309,664
Contributed surplus	-	2,468,183 (e)		2,468,183
(Deficit) retained earnings	84,585	(2,868,037)		(2,783,452)
	\$ 355,162	(360,767)		\$ (5,605)
	\$ 621,024	(1,430)		\$ 619,594

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

3. FIRST TIME ADOPTION (continued)

For the Year Ended June 30, 2012	Pre-changeover Accounting Standards	Errors and IFRS Transitional adjustments	Notes	IFRS
Revenue	\$ 1,366,663	\$ 117,837	(a)(d)	\$ 1,484,500
Expenses			-	
Administrative and corporate	517,530	5,283	(b)(c)	1,277,924
		755,111		
Technical and development	706,351	(1,231)	(d)(e)	720,669
		15,549		
Sales and marketing	158,788	393,104	(d)	(551,892)
	1,382,669	1,167,816		2,550,485
Loss before taxes				
	\$ (16,006)	(1,049,979)		\$ (1,065,985)
Provision for taxes	-	1,231		1,231
Loss and comprehensive loss for the year	(16,006)	(1,051,210)		(1,067,216)
(Deficit), beginning of year	\$ 100,591	(1,816,827)		\$ (1,716,236)
(Deficit), end of year	\$ 84,585	(2,868,037)		\$ (2,783,452)

Filemobile Inc.
Notes to Financial Statements
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3. FIRST TIME ADOPTION (continued)

As at June 30, 2011	Pre-changeover Accounting Standards	Errors And IFRS Transitional Adjustments	Notes	IFRS
Assets				
Current				
Cash	\$ -	\$ -		\$ -
Accounts receivable	452,696	2,784 (a)(b)(f) (10,688) 26,350		471,142
Prepaid expenses	10,525	-		10,525
Income tax recoverable	162,827	-		162,827
	626,048	18,446		644,494
Capital Assets (Note 4)	32,041	-		32,041
	\$ 658,089	18,446		\$ 676,535
Liabilities and Shareholder's Equity				
Current				
Bank indebtedness (Note 5)	\$ 146,007	\$ 26,350 (f)		\$ 172,357
Accounts payable and accrued liabilities	115,888	13,000 (i)		128,888
Deferred revenue	14,000	452,417 (d)		466,417
Current portion of long term debt (Note 6)	11,026	-		11,026
	286,921	491,767		778,688
Long term debt	-	-		-
	\$ 286,921	491,767		\$ 778,688
Shareholder's Equity				
Share capital	\$ 270,577	\$ 39,087		\$ 309,664
Contributed surplus	-	1,304,419 (e)		1,304,419
(Deficit) retained earnings	100,591	(1,816,827)		(1,716,236)
	\$ 371,168	(473,321)		\$ (102,153)
	\$ 658,089	18,446		\$ 676,535

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

4. CAPITAL ASSETS

	June 30, 2014			June 30, 2013		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer	\$ 125,907	\$ 111,766	\$ 14,141	\$ 111,839	\$ 105,952	\$ 5,887
Furniture and fixtures	17,934	11,342	6,592	17,934	9,694	8,240
Leaseholds	13,803	13,803	-	13,803	11,044	2,759
	<u>\$ 157,644</u>	<u>\$ 136,911</u>	<u>\$ 20,733</u>	<u>\$ 143,576</u>	<u>\$ 126,690</u>	<u>\$ 16,886</u>

	June 30, 2012			July 1, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer	\$ 95,775	\$ 86,729	\$ 9,046	\$ 87,125	\$ 72,336	\$ 14,789
Furniture and fixtures	15,703	7,913	7,790	15,022	6,051	8,971
Leaseholds	13,803	8,283	5,520	13,803	5,522	8,281
	<u>\$ 125,281</u>	<u>\$ 102,925</u>	<u>\$ 22,356</u>	<u>\$ 115,950</u>	<u>\$ 83,909</u>	<u>\$ 32,041</u>

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

5. BANK INDEBTEDNESS

Filemobile has a revolving demand loan with a maximum borrowing limit of \$160,000 and an interest rate of Royal Bank Prime plus 2%. Under the terms of the banking agreement, the Company is required to comply with certain restrictive covenants including a minimum current ratio of 1.25 and tangible net worth of \$300,000. As at June 30, 2014, the Company was not in compliance with these covenants.

6. LONG TERM DEBT

	2014	2013	2012	2011
Working capital loan, non-interest-bearing, no fixed terms	\$ -	\$ -	\$ 11,026	\$ 11,026
Working capital loan, payable at \$4,166 monthly on account of principal assuming fully drawn loan of \$250,000 due December 1, 2019 with a first payment of \$4,206 due January 1, 2015. Subject to penalty if only partially drawn. Interest calculated at a floating rate (currently 5%) plus a variance of 2.5%. Secured by letters of personal guarantee from four shareholders totaling 100% of principal. Can be prepaid at any time without penalty.	\$ 200,000			
Current portion	25,036			
	\$ 174,964			

Principal repayments required on long-term debt for the next five years, assuming the full draw-down of loan, are as follows:

2015	\$ 25,036
2016	49,992
2017	49,992
2018	49,992
2019	49,992

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

7. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

	2014	2013	2012	2011
Issued				
1,177,110	<u>\$ 309,664</u>	<u>\$ 309,664</u>	<u>\$309,664</u>	<u>\$ 309,664</u>
common shares				

8. STOCK-BASED COMPENSATION

The Company has granted options to certain directors, officers and employees to purchase common shares, pursuant to the terms of the Company's stock option plan ("the Plan"). The Plan was amended on January 2, 2009 and provided that a total of 6,500,000 common shares be reserved for issuance.

Options granted under the plan expire seven years after the grant date, and vest over time. Depending on the grant, a certain percentage of the options will vest on the first anniversary of the grant date, and the remainder vest at a rate of 2.08% of the granted options per month (annualized to 25% per annum) thereafter.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

8. STOCK-BASED COMPENSATION (continued)

No options have been exercised during any of the periods presented.

A summary of the status of the Company's plan as at June 30, 2014, 2013 and 2012, and changes during the years ended on those dates, is presented below:

Outstanding stock options as at June 30, 2014, 2013, 2012 and changes during the years:

	2014		2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	3,757,070	\$ 1.99	2,797,070	\$ 1.91	1,513,737	1.67
Granted	930,000	2.27	960,000	2.24	1,283,333	2.19
Forfeited	-	-	-	-	-	-
Outstanding, end of year	4,687,070	2.05	3,757,070	1.99	2,797,070	1.91
Options exercisable at end of period	4,614,986	2.04	3,678,111	1.98	2,744,153	1.90

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

8. STOCK-BASED COMPENSATION (continued)

Summary of the employee stock options outstanding and exercisable:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number exercisable	Weighted average remaining contractual life	Weighted Average Exercise Price
		(Years)	\$		(Years)	\$
<u>As at June 30,</u> <u>2014</u>						
\$1.449	683,737	1.01	1.449	683,737	1.01	1.449
\$1.930	400,000	3.00	1.930	400,000	3.00	1.930
\$1.750	430,000	2.02	1.750	430,000	2.02	1.750
\$2.190	1,283,333	4.02	2.190	1,265,416	4.01	2.190
\$2.240	960,000	5.00	2.240	928,958	5.00	2.240
\$2.270	930,000	6.00	2.270	906,875	6.00	2.270
	4,687,070	3.90	2.047	4,614,986	3.88	2.044
<u>As at June 30,</u> <u>2013</u>						
\$1.449	683,737	2.01	1.449	683,737	2.01	1.449
\$1.930	400,000	4.00	1.930	400,000	4.00	1.930
\$1.750	430,000	3.02	1.750	427,500	3.02	1.750
\$2.190	1,283,333	5.02	2.190	1,252,916	5.01	2.190
\$2.240	960,000	6.00	2.240	913,958	6.00	2.240
	3,757,070	4.39	1.991	3,678,111	4.36	1.987
<u>As at June 30,</u> <u>2012</u>						
\$1.449	683,737	3.01	1.449	683,737	3.01	1.449
\$1.930	400,000	5.00	1.930	400,000	5.00	1.930
\$1.750	430,000	4.02	1.750	420,000	4.02	1.750
\$2.190	1,283,333	6.02	2.190	1,240,416	6.00	2.190
	2,797,070	4.83	1.906	2,744,153	4.81	1.901

The Company uses the fair value method for recording compensation expense related to equity instruments awarded to employee, officers and directors in accordance with IFRS 2. Compensation expense is recognized over the grant's vesting period by increasing contributed surplus based on the number of awards expected to vest.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

8. STOCK-BASED COMPENSATION (continued)

For options granted during the periods presented, the fair value of each stock option on the date of grant was estimated using the Black-Scholes option pricing model and using assumptions as set out below. As the Company is privately held, estimated volatility has been determined using comparable companies with an available trading history.

Granted during year ended	June 30, 2014	June 30, 2013	June 30, 2012
Exercise price	\$2,270	\$2,240	\$2,190
Expected life	5 years	5 years	5 years
Expected volatility	52%	52%	52%
Dividend yield	0%	0%	0%
Discount rate	1.5%	1.5%	1.5%
Forfeiture rate	0%	0%	0%
Weighted average fair value per option	\$1.066	\$1.027	\$1.040

9. INCOME TAXES

The effective income tax rate of the Company differs from the combined federal and provincial income tax rate in Canada. This difference results from the following items:

	2014	2013	2012
Loss before income taxes	\$ (1,140,039)	\$ (787,180)	\$ (1,065,985)
Tax recovery on loss for year at statutory rate 15.5%	(176,706)	(122,013)	(165,227)
Reconciling items			
Stock-based compensation and other non-deductible items	156,961	149,695	181,645
Other	5,328	4,631	-
Unrecognized deferred tax assets	1,395	(23,128)	(15,187)
Provision (recovery) for income taxes	\$ (13,022)	\$ 9,185	\$ 1,231

Filemobile Inc.
Notes to Financial Statements
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9. INCOME TAXES (continued)

The 2014 statutory income tax rate of 15.5 % was unchanged from 2012 and 2013.

As at June 30, 2014, 2013 and 2012 the deductible timing differences for which the Company has not recognized a deferred tax asset (liability) are as follows:

	2014	2013	2012
Research and development	\$ 1,806	\$ (15,361)	\$ (13,042)
Capital assets	1,584	-	-
Deferred revenue	5,460	22,994	48,328
Accounts receivable and others	2,544	9,016	4,491
Non-capital losses	6,650	-	-
Unrecognized deferred tax assets	(18,044)	(16,649)	(39,777)
	\$ -	\$ -	\$ -

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered.

As at June 30, 2014, 2013, 2012 the Company has non-capital tax losses of approximately \$43,000 (2013 - \$Nil; 2012 - \$Nil) which are available to reduce income taxes in future years and for which no deferred tax asset has been recorded in the statement of financial position. These losses expire 2034.

10. CONTINGENCIES AND COMMITMENTS

The Company has a lease commitment of \$8,545 per month for the rent of its primary office. The lease expires in January 2016.

11. RELATED PARTY TRANSACTIONS

Related party transactions

The Company has not entered into any related party transactions.

Filemobile Inc.
Notes to Financial Statements
June 30, 2014, June 30, 2013 and June 30, 2012

11. RELATED PARTY TRANSACTIONS (continued)
Key Management Personnel Compensation

The key management personnel of the company are the members of the company's executive management team. Those members who held office as at June 30, 2014 controlled approximately 18% of the outstanding shares of the Company as at that date, and of the outstanding shares if all issued stock options were to be exercised.

		2014		2013		2012
Salaries and cash compensation	\$	382,077	\$	300,000	\$	250,000
Stock compensation (note 8)		959,400		924,300		1,132,666
		1,341,477		1,224,300		1,382,666

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS
Risk Management

The Company, through its financial assets and liabilities, is exposed to risks of varying degrees of significance that could impact its ability to achieve its strategic objectives. The main objective of the Company's risk management process is to ensure that risks are properly identified and addressed. The Company has exposure to credit risk, market risk and liquidity and capital risk. The Company does not use derivative instruments to mitigate these risks. There has been no significant change in the Company's financial risk profile during the years presented.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The risk to the Company arises principally from the Company's accounts receivable. The amounts reported in the balance sheet are shown net of allowances for bad debts, estimated by the Company's management based on prior experience and their knowledge of the individual accounts. The Company reviews its accounts receivable regularly and reduces amounts to their expected realizable values by adjusting the allowance for doubtful accounts if the account is determined not to be fully collectable. The Company believes that its credit risk with respect to accounts receivable is limited, for reasons that include the composition of the Company's customer base, the process by which the Company negotiates contracts, and past experience with bad debt expense. The Company has not historically experienced any significant losses relating to individual customers or groups of customers. There were 2 customers (2013 – 2; 2012 – 2; 2011 – 3;) with balances greater than 10% of the total receivables and made up of 21% of the total receivable balance (2013 – 44%; 2012 – 38%; 2011 – 51%) as a concentration risk and could poses a significant credit risk to the Company.

Filemobile Inc.
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June 30, 2014, June 30, 2013 and June 30, 2012

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

An analysis of the Company's accounts receivables as at June 30 is shown in the table below. The Company defines "past due" as outstanding for more than 30 days beyond the normal credit terms.

	June 30, 2014		June 30, 2013		June 30, 2012		June 30, 2011
Accounts receivable	\$ 432,604	\$	446,835	\$	438,950	\$	481,830
Less: Allowance for doubtful accounts	(16,413)		(58,166)		(15,971)		(10,688)
Carrying amount	\$ 416,191	\$	388,669	\$	422,978	\$	471,142
Amount past due	\$ 196,598	\$	201,925	\$	246,358	\$	231,227

A reconciliation of the allowance for doubtful account is as follows:

	June 30, 2014		June 30, 2013		June 30, 2012
Beginning balance	\$ 58,166	\$	15,971	\$	10,688
Allowance for doubtful account	16,413		58,166		15,971
Amount written off	(58,166)		(15,971)		(10,688)
	\$ 16,143	\$	58,166	\$	15,971

Market Risk

Market risk is the risk that changes in market prices, such as fluctuations in exchange rates or interest rates, will affect the Company's income or the value of its financial instruments.

The Company is exposed to interest rate risk on its long-term debt. An increase of 1% in the interest rate charged on this debt would increase the Company's interest expense by approximately \$2,000.

A significant portion of the Company's sales are to customers located overseas, and denominated in currencies other than the Canadian dollar. Materially all of the Company's costs are denominated in Canadian dollars. Therefore, the Company has net exposure to the effect of changes in the exchange rate of the Canadian dollar against other currencies.

Filemobile Inc.
Notes to Financial Statements
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12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

As at June 30, 2014, approximately \$130,000 of the Company's accounts receivable were denominated in USD and approximately \$22,000 in British Pounds. A 1% strengthening of the Canadian dollar against each of these currencies as at June 30, 2014 would increase net assets and net income by approximately \$1,700.

Transactions denominated in these currencies made up a total of approximately \$395,000 (2013- \$Nil (2012-\$Nil) of the Company's sales during the year ended June 30, 2014.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due, or can only do so at excessive cost. The Company manages liquidity risk through the management of its capital structure and working capital balances. The Company's growth is financed through a combination of cash flows from operations and from borrowing under the existing credit facilities, as disclosed in notes 5 and 6.

Capital Risk

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth, with a long-term view to providing a return to shareholders. The capital structure of the Company consists of cash, credit facilities and capital stock.

The Company adjusts its capital structure in light of general economic conditions, the risk characteristics of the underlying assets, and the Company's working capital requirements. In doing so, the Company may increase or decrease credit facilities or take other actions as deemed appropriate by the Board of Directors.

The Company is subject to certain covenants on its credit facilities, as disclosed in note 5. Otherwise, the Company is not subject to any externally imposed capital requirements.

Fair Value of Financial Instruments

The Company has determined that the fair value of its financial instruments approximates their carrying values as at the balance sheet date, either because of their short-term nature, or because they carry a floating rate of debt.

Filemobile Inc.
Notes to Financial Statements
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13. RESEARCH AND DEVELOPMENT COSTS

During the years presented, the Company undertook various research and development activities, which entitled the Company to claim certain investment tax credits. The related expenditures in each year ended June 30 were as follows:

2014 - \$272,217, before related tax credit of \$179,508

2013 - \$294,034, before related tax credit of \$191,540

2012 - \$264,117, before related tax credit of \$158,979

As with all tax filings submitted by the Company, the tax credits may be subject to review or audit by the relevant tax authority.

The Company is eligible for a 35% federal research and development investment tax credit and a 10% Ontario Innovation Tax Credit ("OITC") on its research and development expenditures and refundable in cash to the Company. These credits are accounted for as a reduction of the related research and development expenditures.

The Company is also eligible for a 4.5% Ontario Research and Development Tax Credit ("ORDTC"), which are available to offset Ontario income taxes payable in the future. These unclaimed credits must be claimed no later than:

2030	\$ 12,600
2031	16,400
2032	16,100
2033	<u>19,400</u>
	<u>\$ 64,500</u>

These unclaimed credits have not been recognized in receivables:

	2014	2013	2012
Unclaimed research and development tax credits	\$ 64,500	\$ 45,100	\$ 29,000
Allowance on tax credits	<u>(64,500)</u>	<u>(45,100)</u>	<u>(29,000)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Filemobile Inc.
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14. EXPENSE BY NATURE

The expenses on the financial statements have been grouped by function to focus reader attention on the macro movement in cost from year to year while also giving the reader the option to get the details of the costs as disclosed below for each function. The major functions include administrative and corporate, technical and development and sales and marketing. The details of the nature of the expenses for each function are noted below:

Administrative and corporate

Amortization	4,407	4,542	4,623
Bad debts	59,791	72,145	38,171
Bank and interest charge	24,559	9,904	9,095
Foreign exchange loss	2,524	-	-
Insurance	2,501	2,494	2,273
Memberships	2,269	2,431	620
Office expenses	15,923	23,880	43,424
Professional fees	131,504	38,839	59,503
Rent	101,653	98,314	93,187
Salaries and benefits	271,657	332,980	255,481
Stock-based compensation	639,600	616,200	755,111
Telephone	4,145	5,970	5,502
Travel	19,156	13,463	10,934

	1,279,689	1,221,162	1,277,924
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Technical and development

Amortization	5,814	19,223	14,393
Graphic design	-	8,511	610
Hosting costs	176,248	120,566	109,816
Programming	33,288	57,821	191,725
Investment tax credit	(173,878)	(194,207)	(159,336)
Salaries and benefits	993,869	672,256	547,912
Stock-based compensation	20,173	18,425	15,549

	1,055,514	702,595	720,669
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Sales and marketing

Commissions	54,809	49,629	-
Marketing and promotion	167,227	41,475	48,221
Salaries and benefits	232,927	199,171	110,567
Stock-based compensation	339,973	326,525	393,104

	794,936	616,800	551,892
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