

SNIPP INTERACTIVE INC.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2014

NOTICE OF NO AUDIT REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the period ended June 30, 2014.

SNIPP INTERACTIVE INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in U.S. Dollars)

(Unaudited)

As at

	June 30, 2014	December 31, 2013
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 310,909	\$ 213,046
Accounts receivable, net of allowance for doubtful accounts of \$15,000 (December 31, 2013 - \$15,000)	496,145	345,261
HST receivable	8,706	5,704
Marketable securities (Note 5)	131	132
Deposits and prepaid expenses	<u>13,077</u>	<u>25,287</u>
	828,968	589,430
Equipment (Note 6)	16,981	16,198
Intangible assets (Note 7)	<u>258,920</u>	<u>212,879</u>
	<u>\$ 1,104,869</u>	<u>\$ 818,507</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 227,651	\$ 115,188
Due to related parties (Note 8)	<u>216,843</u>	<u>208,476</u>
	444,494	323,664
Derivative liability (Note 9)	<u>259,018</u>	<u>61,077</u>
	<u>703,512</u>	<u>384,741</u>
Shareholders' equity		
Common shares (Note 10)	2,022,915	1,897,817
Share subscriptions	-	17,159
Warrants (Note 10)	534,153	534,153
Contributed surplus	369,808	329,040
Deficit	(2,391,552)	(2,201,752)
Accumulated other comprehensive loss	<u>(133,967)</u>	<u>(142,651)</u>
	<u>401,357</u>	<u>433,766</u>
	<u>\$ 1,104,869</u>	<u>\$ 818,507</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

Approved and authorized by the Board of Directors on August 29, 2014.

<u>"Atul Sabharwal"</u>	Director	<u>"Ritesh Bhavnani"</u>	Director
Atul Sabharwal		Ritesh Bhavnani	

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

SNIPP INTERACTIVE INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

(Expressed in U.S. Dollars)

(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
REVENUE				
Campaign revenue	\$ 413,358	\$ 207,196	\$ 762,440	\$ 381,527
EXPENSES				
Salaries and compensation (Note 8)	364,408	253,363	719,495	512,053
General and administrative	33,136	22,819	61,995	45,707
Campaign infrastructure	104,896	34,970	138,130	71,487
Software development	31,430	18,115	58,254	36,159
Professional fees	6,164	2,756	36,587	33,408
Marketing and investor relations	7,161	19,691	27,964	62,898
Travel	21,638	16,255	37,216	23,397
Amortization of intangibles	16,532	10,020	31,011	18,271
Depreciation of equipment	1,348	1,227	2,607	2,454
Stock-based compensation (Note 10)	31,927	19,449	40,768	93,412
Strategic sales partnership compensation (Note 11)	-	41,024	-	113,009
	<u>618,640</u>	<u>439,689</u>	<u>1,154,027</u>	<u>1,012,255</u>
Net loss before interest income, foreign exchange, change in fair value of derivative liability	(205,282)	(232,493)	(391,587)	(630,728)
Interest income, foreign exchange, change in fair value of derivative liability				
Interest income	451	1,061	1,216	2,721
Foreign exchange gain (loss)	(81,299)	55,229	(9,521)	86,878
Change in fair value of derivative liability (Note 9)	<u>(112,364)</u>	<u>207,895</u>	<u>210,092</u>	<u>707,984</u>
Net income (loss) for the period	(398,494)	31,692	(189,800)	166,855
OTHER COMPREHENSIVE LOSS				
Cumulative translation adjustment	<u>85,603</u>	<u>(61,326)</u>	<u>8,684</u>	<u>(99,867)</u>
Comprehensive income (loss) for the period	\$ (312,891)	\$ (29,634)	\$ (181,116)	\$ 66,988
Basic and diluted income (loss) per common share	\$ (0.01)	\$ 0.00	\$ (0.00)	\$ 0.00
Weighted average number of common shares outstanding	58,802,638	48,052,638	57,995,732	48,052,638

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

SNIPP INTERACTIVE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)
(Unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the period	\$ (398,494)	\$ 31,692	\$ (189,800)	\$ 166,855
Items not involving cash:				
Amortization of intangibles	16,532	10,020	31,011	18,271
Depreciation of equipment	1,348	1,227	2,607	2,454
Stock-based compensation	31,927	19,449	40,768	93,412
Strategic sales partnership compensation	-	41,024	-	113,009
Change in fair value of derivative liability	112,364	(207,895)	(210,092)	(707,984)
Changes in non-cash working capital items:				
Accounts receivable	104,945	(65,377)	(150,884)	(50,237)
HST receivable	(342)	(1,067)	(3,002)	(4,972)
Deposits and prepaid expenses	5,909	19,973	12,210	43,322
Deferred revenue	-	(14,950)	-	(37,476)
Accounts payable and accrued liabilities	115,297	(11,723)	112,463	(32,005)
Due to related parties	<u>(38,003)</u>	<u>(2,439)</u>	<u>8,367</u>	<u>16,788</u>
Net cash flows used in operating activities	<u>(48,517)</u>	<u>(180,066)</u>	<u>(346,352)</u>	<u>(378,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Note receivable	-	7,494	-	33,141
Marketable securities	(4)	17	1	28
Additions to equipment	(1,480)	-	(3,390)	-
Additions to intangible assets	<u>(46,242)</u>	<u>(33,531)</u>	<u>(77,052)</u>	<u>(69,748)</u>
Net cash flows used in investing activities	<u>(47,726)</u>	<u>(26,020)</u>	<u>(80,441)</u>	<u>(36,579)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from common shares issued	-	-	573,469	-
Share issuance costs	-	-	(40,338)	-
Proceeds from share subscriptions	<u>-</u>	<u>-</u>	<u>(17,159)</u>	<u>-</u>
Net cash flows provided by financing activities	<u>-</u>	<u>-</u>	<u>515,972</u>	<u>-</u>
Effect of exchange rate changes	<u>85,603</u>	<u>(61,326)</u>	<u>8,684</u>	<u>(99,867)</u>
Change in cash for the period	<u>(10,640)</u>	<u>(267,412)</u>	<u>97,863</u>	<u>(515,009)</u>
Cash and cash equivalents, beginning of period	<u>321,549</u>	<u>403,073</u>	<u>213,046</u>	<u>650,670</u>
Cash and cash equivalents, end of period	<u>\$ 310,909</u>	<u>\$ 135,661</u>	<u>\$ 310,909</u>	<u>\$ 135,661</u>

Supplemental disclosure regarding cash flows (Note 12)

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

SNIPP INTERACTIVE INC.
STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in U.S. Dollars)
(Unaudited)

	Common Shares	Amount	Share Subscriptions	Warrants	Warrants - Strategic Sales Partnership	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2012	48,052,638	\$ 1,547,304	\$ -	\$112,357	\$174,931	\$ 99,150	\$ (21,965)	\$ (2,277,349)	\$ (365,572)
Stock-based compensation (Note 10)	-	-	-	-	-	93,412	-	-	93,412
Strategic sales partnership compensation	-	-	-	-	113,009	-	-	-	113,009
Cumulative translation adjustment	-	-	-	-	-	-	(99,867)	-	(99,867)
Net income for the period	-	-	-	-	-	-	-	166,855	166,855
Balance, June 30, 2013	48,052,638	1,547,304	-	112,357	287,940	192,562	(121,832)	(2,110,494)	(92,163)
Private placement shares issued	2,000,000	192,520	-	-	-	-	-	-	192,520
Private placement shares issued	2,400,000	225,216	-	-	-	-	-	-	225,216
Fair value of derivative liability on 1,200,000 Financing warrants	-	(49,206)	-	-	-	-	-	-	(49,206)
Financing issuance costs	-	(18,017)	-	-	-	-	-	-	(18,017)
Share subscriptions	-	-	17,159	-	-	-	-	-	17,159
Stock-based compensation (Note 10)	-	-	-	-	-	136,478	-	-	136,478
Strategic sales partnership compensation	-	-	-	-	(287,940)	-	-	-	(287,940)
Fair value of amended transaction warrants	-	-	-	421,796	-	-	-	-	421,796
Cumulative translation adjustment	-	-	-	-	-	-	(20,819)	-	(20,819)
Net loss for the period	-	-	-	-	-	-	-	(91,258)	(91,258)
Balance, December 31, 2013	52,452,638	1,897,817	17,159	534,153	-	329,040	(142,651)	(2,201,752)	433,766
Share subscriptions	-	-	(17,159)	-	-	-	-	-	(17,159)
Private placement shares issued	6,350,000	573,469	-	-	-	-	-	-	573,469
Fair value of derivative liability on 3,175,000 Financing warrants	-	(408,033)	-	-	-	-	-	-	(408,033)
Financing issuance costs	-	(40,338)	-	-	-	-	-	-	(40,338)
Stock-based compensation (Note 10)	-	-	-	-	-	40,768	-	-	40,768
Cumulative translation adjustment	-	-	-	-	-	-	8,684	-	8,684
Net income for the period	-	-	-	-	-	-	-	(189,800)	(189,800)
Balance, June 30, 2014	58,802,638	\$ 2,022,915	\$ -	\$534,153	\$ -	\$ 369,808	\$ (133,967)	\$ (2,391,552)	\$ 401,357

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

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

(Expressed in U.S. Dollars unless otherwise noted)

(Unaudited)

June 30, 2014

1. NATURE AND CONTINUANCE OF OPERATIONS

Snipp Interactive Inc. (the “Company” or “Snipp”) (formerly Alya Ventures Ltd.) was incorporated under the *Business Corporations Act* (British Columbia) on January 21, 2010 and was classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The principal business of the Company was to negotiate an acquisition or participation in a business subject to acceptance by regulatory authorities and, in certain cases, shareholder approval (the “Qualifying Transaction”).

On March 1, 2012, the Company completed its Qualifying Transaction (the “Transaction”) with Consumer Impulse, Inc. (“Consumer Impulse”) and a concurrent financing whereby the Company acquired all of the issued and outstanding securities of Consumer Impulse in exchange for the issuance of securities of the Company. For accounting purposes, this share exchange is treated as a reverse takeover with Consumer Impulse being the accounting acquirer and the go-forward financial statements reflect Consumer Impulse’s history from its inception on March 30, 2007 (Note 15). The fiscal year-end of the Company was changed to December 31 from March 31.

Consumer Impulse was incorporated under the laws of the State of Delaware on March 30, 2007 and its business is to provide a full suite of mobile marketing services in the US, Canada, Mexico and the Middle East. The business of Consumer Impulse has become the business of the Company. During the year ended December 31, 2013, Consumer Impulse changed its name to Snipp Interactive Inc.

Unless otherwise indicated in these consolidated financial statements, references to “\$” are to U.S. dollars, and references to “C\$” are to Canadian dollars.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business.

During the six months ended June 30, 2014, the Company recognized net loss of \$189,800 and used cash of \$346,352 in operating activities. During the six months ended June 30, 2014, the Company recognized net loss before interest income, foreign exchange, change in fair value of derivative liability, of \$391,587. At June 30, 2014, the Company had working capital of \$384,474 and a deficit of \$2,391,552.

The application of the going concern concept is dependent on the Company’s ability to receive continued financial support from its stakeholders and, ultimately, on the Company’s ability to generate profitable operations. Management is of the opinion that sufficient working capital is available from its financings and will be obtained from operations to meet the Company’s liabilities and commitments as they come due for the next twelve months. These condensed interim consolidated financial statements do not reflect any adjustments or reclassifications of assets and liabilities which would be necessary if the Company were unable to continue as a going concern.

The registered address, head office, principal address and records office of the Company are located at 6708 Tulip Hill Terrace, Bethesda, Maryland, 20816.

The condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on August 29, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES**Statement of Compliance**

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements do not include all of the information required by International Financial Reporting Standards (“IFRS”) for complete annual financial statements, and should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2013 as filed on SEDAR at www.sedar.com.

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

Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned legal subsidiaries Snipp Interactive Inc. (formerly Consumer Impulse, Inc.), which is incorporated in Delaware, USA and Snipp Canada Inc., which is incorporated in Canada. All material inter-company balances and transactions have been eliminated.

Equipment

Equipment are recorded at cost and depreciated over their estimated useful lives as follows:

Office equipment	5 years	Straight-line
Computer equipment	5 years	Straight-line

Intangible assets

Software platform

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs. These costs are amortized over their expected useful lives estimated at 5 years. Residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Use of estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

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

Use of estimates (cont'd...)

- i) The recoverability of accounts receivable that are included in the condensed interim consolidated statements of financial position based on historical collection of receivables.
- ii) The inputs used in accounting for share-based payments expense included in profit and loss calculated using the Black-Scholes option pricing model or the Binomial Tree option pricing model.
- iii) The carrying value of intangible assets (capitalized software development) that are included in the condensed interim consolidated statements of financial position are based on management assessments of the recoverable amount of the asset. As well, management estimates the capitalized costs that are directly attributable to the development of the intangible asset.
- iv) The estimates used in determining the fair value for the Derivative Liability, which is composed of valuations of both the Transaction warrants and Financing warrants, as defined and described in Note 10, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model as disclosed in Note 9.

Revenue recognition

The Company provides a full suite of mobile marketing services in the US, Canada, Mexico and the Middle East, and generates revenue by designing, constructing, implementing and managing these mobile marketing services for its customers. Revenue is recognized in the period in which the services are rendered to the customer and collection is reasonably assured.

Cash received in advance of services performed is recorded as deferred revenue.

Deferred taxes

Deferred taxes are recorded using the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more probable than not that a deferred tax asset will be recovered, it does not recognize the asset.

Foreign currencies

IFRS requires that the functional currency of each entity in the consolidated group be determined separately and that each entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian Dollar, the functional currency of the legal subsidiary, Snipp Interactive Inc. (formerly Consumer Impulse, Inc.), is the U.S. Dollar and the functional currency of its subsidiary, Snipp Canada Inc., is the Canadian Dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21").

The presentation currency of the Company's condensed interim consolidated financial statements is the U.S. dollar ("\$"). Under IFRS, when the Company translates the financial statements of entities from their functional currency to the presentation currency, assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the end of the reporting period. Share capital, warrants, equity reserves, other comprehensive income, and deficit are translated into U.S. dollars at historical exchange rates. Revenues and expenses are translated into U.S. dollars at the

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

Foreign currencies (cont'd...)

average exchange rate for the period. Foreign exchange gains and losses on translation are included in other comprehensive income. Within each entity, transactions denominated in foreign currencies are translated into the functional currency using the exchange rate in effect at the dates of the transactions, and monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the end of the reporting period. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in profit or loss.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income or loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents, marketable securities and derivative liability at fair value through profit or loss. The Company's accounts receivable, and note receivable, are classified as loans and receivables. The Company's due to related parties and accounts payable and accrued liabilities are classified as other financial liabilities.

SNIPP INTERACTIVE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in U.S. Dollars unless otherwise noted)

(Unaudited)

June 30, 2014

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

Financial instruments (cont'd...)

Financial liabilities (cont'd...)

Disclosures are also required on the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

See Note 14 for relevant disclosures.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the asset's carrying value and its fair value. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

(Expressed in U.S. Dollars unless otherwise noted)

(Unaudited)

June 30, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**Loss per share**

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Share-based payments

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock based on their fair value over the period of vesting using the Black-Scholes option pricing model or the Binomial Tree option pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Recent accounting pronouncements

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2015 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The effective date for IFRS 9 has not yet been determined. Early adoption is permitted and the standard is required to be applied retrospectively. Management does not expect there to be a significant impact for the Company upon implementation of the issued standard.

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

(Expressed in U.S. Dollars unless otherwise noted)

(Unaudited)

June 30, 2014

3. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013
Cash on deposit	\$ 203,131	\$ 123,727
Cashable Guaranteed Investment Certificates	<u>107,778</u>	<u>89,319</u>
Total	\$ 310,909	\$ 213,046

As at June 30, 2014 the Company held C\$115,000 in a Cashable Guaranteed Investment Certificate (GIC). The terms of the GIC are as follows:

<u>Investment</u>	<u>Amount Invested</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
GIC #1	C\$115,000	P-1.80%	January 29, 2015

4. ECONOMIC DEPENDENCE AND SEGMENTED INFORMATION*Significant customers*

As at June 30, 2014, four customers accounted for 56% of accounts receivable. As at December 31, 2013, five customers accounted for 77% of accounts receivable. Four customers accounted for 56% of revenue for the three months ended June 30, 2014. Sales from four of these customers during the three months ended June 30, 2014 amounted to \$72,500, \$60,000, \$52,000 and \$40,000, which represented 18%, 15%, 13% and 10% of total revenue respectively. Two customers accounted for 52% of revenue for the six months ended June 30, 2014. Sales from these two customers during the six months ended June 30, 2013 amounted to \$268,700 and \$127,000, which represented 35%, and 17% of total revenue respectively.

Five customers accounted for 75% of revenue for the three months ended June 30, 2013. Sales from five of these customers during the three months ended June 30, 2013 amounted to \$44,000, \$35,500, \$27,889, \$25,000 and \$23,480, which represented 21%, 17%, 13%, 12% and 11% of total revenue respectively. Two customers accounted for 49% of revenue for the six months ended June 30, 2013. Sales from these two customers during the six months ended June 30, 2013 amounted to \$149,126 and \$39,000, which represented 39%, and 10% of total revenue respectively.

Geographic information

The Company has one operating segment, which provides a full suite of mobile marketing services in Canada, United States and internationally (Middle East and Mexico). No significant non-current assets are held outside of the United States.

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

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
United States	\$ 391,884	\$ 150,700	\$ 705,167	\$ 310,151
International	21,474	55,519	57,273	55,519
Canada	<u>-</u>	<u>977</u>	<u>-</u>	<u>15,857</u>
Total	\$ 413,358	\$ 207,196	\$ 762,440	\$ 381,527

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5. MARKETABLE SECURITIES

During the year ended December 31, 2012, the Company advanced \$50,255 (C\$50,000) to an unrelated company by way of a non-convertible debenture that matured on September 20, 2012. This debenture was repaid to the Company with 12% annual interest and 2,000 common shares in the capital of the unrelated company. The 2,000 common shares are being held as marketable securities

6. EQUIPMENT

June 30, 2014

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the period	Closing depreciation balance	Net book value
Office Equipment	\$ 7,597	\$ -	\$ -	\$ 7,597	\$ 2,726	\$ 762	\$ 3,488	\$ 4,109
Computer Equipment	16,875	3,390	-	20,265	5,548	1,845	7,393	12,872
	\$ 24,472	\$ 3,390	\$ -	\$ 27,862	\$ 8,274	\$ 2,607	\$ 10,881	\$ 16,981

December 31, 2013

	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the year	Closing depreciation balance	Net book value
Office Equipment	\$ 7,597	\$ -	\$ -	\$ 7,597	\$ 1,202	\$ 1,524	\$ 2,726	\$ 4,871
Computer Equipment	16,875	-	-	16,875	2,164	3,384	5,548	11,327
	\$ 24,472	\$ -	\$ -	\$ 24,472	\$ 3,366	\$ 4,908	\$ 8,274	\$ 16,198

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7. INTANGIBLE ASSETS

June 30, 2014										
	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the period	Closing amortization balance	Net book value		
Software platform	\$ 269,605	\$ 77,052	\$ -	\$ 346,657	\$ 56,726	\$ 31,011	\$ 87,737	\$ 258,920		
	\$ 269,605	\$ 77,052	\$ -	\$ 346,657	\$ 56,726	\$ 31,011	\$ 87,737	\$ 258,920		
December 31, 2013										
	Opening cost balance	Additions	Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the year	Closing amortization balance	Net book value		
Software platform	\$ 141,090	\$ 128,515	\$ -	\$ 269,605	\$ 13,905	\$ 42,821	\$ 56,726	\$ 212,879		
	\$ 141,090	\$ 128,515	\$ -	\$ 269,605	\$ 13,905	\$ 42,821	\$ 56,726	\$ 212,879		

8. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere included in expenses for the three months ended June 30, 2014, and 2013 are salaries and compensation of \$144,506 and \$155,306, respectively, charged by officers and key management personnel of the Company. Related party transactions not disclosed elsewhere included in expenses for the six months ended June 30, 2014, and 2013 are salaries and compensation of \$388,911 and \$315,566, respectively, charged by officers and key management personnel of the Company.

At June 30, 2014, \$120,508 (December 31, 2013 – \$97,473) was due to a director, \$65,295 (December 31, 2013 – \$78,504) was due to an officer and director, \$11,662 (December 31, 2013 – \$11,965) was due to an officer, \$14,273 (December 31, 2013 – \$20,534) was due to an officer and \$5,105 (December 31, 2013 - \$0) was due to an officer. The amounts due to related parties represent unpaid salaries and compensation and unpaid expenses. The amounts are non-interest bearing, unsecured and have no specified terms of repayment.

The remuneration of officers and other members of key management personnel during the three and six months ended June 30, 2014, and 2013 are as follows:

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Salaries and compensation	\$ 144,506	\$ 155,306	\$ 388,911	\$ 315,566
Total	\$ 144,506	\$ 155,306	\$ 388,911	\$ 315,566

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9. DERIVATIVE LIABILITY

The derivative liability represents the Black-Scholes valuation of the Company's warrants that are subject to currency fluctuation as the exercise price of the Company's warrants is fixed in Canadian dollars and the functional currency of the Company is the U.S. dollar. This results in the warrants being considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. The fair value of this derivative liability fluctuates from period to period based on fluctuations in the share price, changing Black-Scholes inputs and changes in foreign exchange rates. These fair value changes are recognized through profit and loss. The derivative liability is a **NON-CASH** liability that is not associated with any form of debt or convertible instrument.

	Transaction warrants	Financing warrants	Total
Balance, December 31, 2011	\$ -	\$ -	\$ -
Fair value of warrants issued	404,796	677,682	1,082,478
Change in fair value	216,902	(69,252)	147,650
Balance, December 31, 2012	621,698	608,430	1,230,128
Change in fair value	(199,902)	(596,559)	(796,461)
Allocation to equity on amended warrant terms	(421,796)	-	(421,796)
Fair value of warrants issued	-	49,206	49,206
Balance, December 31, 2013	-	61,077	61,077
Fair value of warrants issued	-	408,033	408,033
Change in fair value	-	(210,092)	(210,092)
Balance, June 30, 2014	\$ -	\$ 259,018	\$ 259,018

On December 18, 2013, the Company received TSX Venture Exchange approval to change the exercise currency of the Transaction warrants from C\$ to \$ resulting in the elimination of the corresponding derivative liability associated with these Transaction warrants. The fair value of the Transaction warrants on the amendment date was reallocated to equity with the difference recognized through profit and loss.

The following assumptions were used for the Black-Scholes derivative liability valuation of the Financing warrants at June 30, 2014:

	Financing warrants ⁽¹⁾	Financing warrants ⁽²⁾
Risk-free interest rate	1.09%	1.09%
Expected life of warrants	1.44 years	1.57 years
Annualized volatility	125%	125%
Dividend rate	0.00%	0.00%

⁽¹⁾ 1,200,000 financing warrants issued on December 6, 2013

⁽²⁾ 3,175,000 financing warrants issued on January 24, 2014

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10. CAPITAL STOCK**Authorized**

Unlimited common shares, without par value

Unlimited preferred shares, without par value, issuable in series:

Unlimited Series 1 voting preferred shares, without par value, redeemable at C\$0.0001 per share

Share issuances

Prior to the closing of the Transaction (the “Closing”), the Company had 10,550,000 common shares outstanding and Consumer Impulse had 1,998,020 common shares and 700,000 Series A preferred shares outstanding. On Closing the common and preferred shares of Consumer Impulse were eliminated and the Company’s 10,550,000 common shares were deemed to have been issued as part of the accounting for the Transaction.

On Closing the Company acquired all of the issued and outstanding Consumer Impulse shares in exchange for the issuance of the Company’s 22,742,305 common shares, 6,188,688 warrants and 37,499,997 Series 1 preferred shares. The 37,499,997 Series 1 preferred shares were immediately redeemed after Closing for an aggregate of \$3,807. Pursuant to a finder’s fee agreement the Company also issued 400,000 shares on Closing. The 6,188,688 warrants can be exercised into 6,188,688 common shares at an exercise price of C\$0.13 per common share for a period of five years from Closing. The initial fair value of these warrants was determined to be \$404,796 (note 10) using a relative fair value method based on the estimated fair value of these warrants using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 125%, risk-free interest rate of 1.12% and an expected life of 5 years. The remaining value of \$410,173 remained as common shares issued.

As a condition to Closing, the Company completed a private placement (the “Financing”) of 13,333,333 units with a subscription price of C\$0.15 per unit, for gross proceeds of \$2,030,600 (C\$2,000,000). Each unit consisted of one common share and one financing warrant entitling the holder to purchase one common share of the Company at an exercise price of C\$0.22 per share within one year of Closing and an exercise price of C\$0.27 per share within two years of Closing, with such financing warrant expiring two years after the Closing. The initial fair value of the 13,333,333 warrants that were issued pursuant to the Financing was determined to be \$677,682 using a relative fair value method based on the estimated fair value of these warrants using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 125%, risk-free interest rate of 1.12% and an expected life of 2 years. The remaining value of \$1,029,976 was allocated to the 13,333,333 financing shares issued. In connection with the Financing, the Company paid to the Agent, a corporate finance fee of \$20,306, \$142,142 in commissions (7% of gross proceeds), and issued 1,333,333 broker warrants (10% of the securities sold in the Financing) valued at \$112,357 using the Black-Scholes model. The broker warrants are exercisable on the same terms as the financing warrants. The Company also paid legal fees of \$48,137 associated with the Financing included in financing issue costs.

On August 21, 2013, the Company completed a non-brokered private placement financing of 2,000,000 common shares at a price of C\$0.10 per common share for gross proceeds of \$192,520 (C\$200,000).

On December 6, 2013, the Company completed its first tranche of a non-brokered private placement financing of 2,400,000 units with a subscription price of C\$0.10 per unit, for gross proceeds of \$225,216 (C\$240,000). Each unit consisted of one common share and one half-share financing warrant entitling the holder of each whole warrant to purchase one common share of the Company at an exercise price of C\$0.15 per share within two years of the date of distribution. The Company paid finder’s fees of \$18,017 (C\$19,200) for the first tranche.

On January 24, 2014, the Company completed its second tranche of a non-brokered private placement financing of 6,350,000 units with a subscription price of C\$0.10 per unit, for gross proceeds of \$573,469 (C\$635,000). Each unit consisted of one common share and one half-share financing warrant entitling the holder of each whole warrant to purchase one common share of the Company at an exercise price of C\$0.15 per share within two years of the date of distribution. The Company paid finder’s fees of \$36,124 (C\$40,000) and filing fees of \$4,214 for the second tranche.

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10. CAPITAL STOCK (cont'd...)**Escrow shares**

On March 20, 2010, the Company issued 4,500,000 common shares at a price of \$0.05 per common share for total proceeds of \$225,000. An additional 23,142,305 common shares were issued for the Transaction with Consumer Impulse. These common shares were held in escrow and are being released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of the Qualifying Transaction by the TSX Venture Exchange and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. On March 8, 2012, 2,764,231 shares were released from escrow, on September 5, 2012, 4,146,345 shares were released from escrow, on March 4, 2013, 4,146,845 shares were released from escrow, on September 5, 2013, 4,146,845 shares were released from escrow and on March 4, 2014, 4,145,345 shares were released from escrow. The balance of shares remaining in escrow is 8,292,694 as of June 30, 2014 (December 31, 2013 – 12,438,039).

Stock options

On December 12, 2013, disinterested shareholders approved and the Company adopted a new fixed number incentive stock option plan (the “2013 Option Plan”) which provides that a committee of the Board of Directors appointed in accordance with the 2013 Option Plan (the “Committee”) may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares (“Options”), reserving 10,010,527 shares, being 20% of the Company’s issued and outstanding shares as at November 12, 2013. Such Options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms are determined at the time of grant by the Committee. As per the TSX-V, the 6,188,688 Transaction warrants that were issued on Closing of the Company’s Qualifying Transaction, have been treated akin to stock options and are included with the Company’s outstanding stock options for the purposes of being subject to the prescribed limit of the Company’s Option Plan. In fiscal 2013, the Company recognized stock based compensation expense of \$229,890 corresponding to 2,310,000 fully vested stock options that were granted during the year ended December 31, 2013. The following assumptions were used for the Black-Scholes valuation of these options granted in fiscal 2013 (Risk-free interest rate: 1.40%/1.26%/1.55%; expected life of option: 5.0 years; annualized volatility: 125%; dividend rate: 0.00%). In fiscal 2012, the Company recognized stock based compensation expense of \$99,150 corresponding to 1,927,175 stock options that were granted during the year ended December 31, 2012. Of the 1,927,175 options granted, 982,175 were fully vested and 945,000 vested over a three year period beginning from the grant date. The following assumptions were used for the Black-Scholes valuation of these options granted in fiscal 2012 (Risk-free interest rate: 1.15%/1.31%; expected life of option: 1.0/5.0 years; annualized volatility: 125%; dividend rate: 0.00%).

Stock option activity is presented below:

	Number of Options	Weighted Average Exercise Price C\$
Outstanding, December 31, 2012	2,349,175	0.16
Cancelled	(197,500)	0.18
Expired	(982,175)	0.15
Granted	2,310,000	0.11
Outstanding, December 31, 2013	3,479,500	0.13
Granted	300,000	0.11
Outstanding, June 30, 2014	3,779,500	0.13

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10. CAPITAL STOCK (cont'd...)**Stock options (cont'd...)**

As at June 30, 2014, the following Options are outstanding and exercisable:

Number of Options Outstanding at June 30, 2014	Number of Options Exercisable at June 30, 2014	Exercise Price	Expiry Date
422,000	422,000	C\$0.10	August 25, 2015
780,000	260,000	C\$0.19	August 27, 2017
100,000	100,000	C\$0.10	February 15, 2018
777,500	777,500	C\$0.10	February 25, 2018
100,000	100,000	C\$0.10	July 15, 2018
1,300,000	1,300,000	C\$0.12	December 18, 2018
200,000	200,000	C\$0.105	December 18, 2018
100,000	100,000	C\$0.10	December 18, 2018
3,779,500	3,259,500		

Broker Warrants

	Number of Shares	Weighted Average Exercise Price C\$
Outstanding, December 31, 2012 and December 31, 2013	1,333,333	0.25
Expired	(1,333,333)	0.25
Outstanding, June 30, 2014	—	—

Warrants

	Number of Shares	Weighted Average Exercise Price
Outstanding, December 31, 2012	19,522,021	C\$0.21
Issued – Financing warrants	1,200,000	C\$0.15
Outstanding, December 31, 2013	20,722,021	C\$0.20
Issued – Financing warrants	3,175,000	C\$0.15
Expired – Financing warrants	(13,333,333)	C\$0.25
Outstanding, June 30, 2014	10,563,688	C\$0.14

As at June 30, 2014 the following Warrants are outstanding:

Number of Common Shares Issuable	Weighted Average Exercise Price	Expiry Date
6,188,688	\$0.13	March 1, 2017
1,200,000	C\$0.15	December 6, 2015
3,175,000	C\$0.15	January 24, 2016
10,563,688	C\$0.14	

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10. CAPITAL STOCK (cont'd...)**Warrants (cont'd...)**

The following assumptions were used for the Black-Scholes valuation of the Warrants issued during the period ended June 30, 2014:

Risk-free interest rate	0.98%
Expected life of warrants	2.0 years
Annualized volatility	125%
Dividend rate	0.00%

The following assumptions were used for the Black-Scholes valuation of the Warrants issued during the year ended December 31, 2013:

Risk-free interest rate	1.10%
Expected life of warrants	2.0 years
Annualized volatility	125%
Dividend rate	0.00%

11. STRATEGIC SALES PARTNERSHIP AGREEMENT

On May 30, 2012, the Company announced an agreement with VirKet S.A. de C.V. ("VirKet"), a leading Mexican provider of digital marketing services, to establish an exclusive strategic partnership to offer mobile marketing services in Mexico. Under the strategic partnership arrangement, the Company licensed its "Mobilize Me" technology platform and provided mobile marketing services with VirKet in the Mexican market on an exclusive basis, and VirKet correspondingly used the Company as its exclusive provider of mobile marketing technology. The initial term of the arrangement was for one year with an option for VirKet to extend for a second year and a right-of-first refusal for an extended exclusive license beyond the initial two-year term, all subject to reaching certain business performance targets. The arrangement has not been extended beyond the initial term as business performance targets were not reached. The initial term expired on May 30, 2013. The Company had granted VirKet 3,333,333 warrants to purchase the Company's common shares. These warrants have expired due to the initial term not being extended. The warrants were exercisable at a price of C\$0.22 per share and vesting was subject to VirKet achieving certain agreed sales targets. The warrants also had a mandatory exercise clause if the Company's stock price was equal to or greater than C\$0.35 for ten continuous trading days, and any warrants so not exercised would immediately lapse. The Company had taken an approach of valuing the warrants using the binomial tree option pricing model taking into account the probability of the occurrence of the vesting condition and the mandatory exercise clause. The warrants were valued at \$287,940 and the Company recognized the corresponding warrant expense over the first year of the agreement, of which \$174,931 was recognized in 2012. The warrants expired before the vesting conditions related to certain performance targets were met, therefore the value of the warrants, previously recognized, was reversed by the Company in 2013.

Strategic Sales Partnership Warrants

	Number of Shares	Weighted Average Exercise Price C\$
Outstanding, December 31, 2011	—	—
Issued – Strategic sales partnership warrants	3,333,333	0.22
Outstanding, December 31, 2012	3,333,333	0.22
Expired	(3,333,333)	0.22
Outstanding, December 31, 2013 and June 30, 2014	—	—

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12. SUPPLEMENTAL DISCLOSURE REGARDING CASH FLOWS

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Cash paid during the period for interest	-	-
Cash paid during the period for income taxes	-	-
Transactions not involving cash:		
FV of warrants issued as part of Transaction – derivative liability	-	387,313
FV of financing warrants – derivative liability	-	134,831
FV of financing warrants – derivative liability	26,509	-
FV of financing warrants – derivative liability	232,509	-

13. FINANCIAL INSTRUMENTS**Fair value**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of accounts receivable, note receivable, HST receivable, due to related parties and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments while cash and marketable securities are valued using a level 1 fair value measurement and the derivative liability is valued using a level 3 fair value measurement.

	June 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Fair value through profit and loss – assets	\$ 311,040	\$ 311,040	\$ 213,178	\$ 213,178
Fair value through profit and loss – liabilities	(259,018)	(259,018)	(61,077)	(61,077)
Loans and receivables	504,851	504,851	350,965	350,965
Other financial liabilities	(444,494)	(444,494)	(323,664)	(323,664)
	\$ 112,379	\$ 112,379	\$ 179,402	\$ 179,402

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13. FINANCIAL INSTRUMENTS (cont'd...)**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, note receivable and HST receivable. The Company places its cash with major financial institutions to limit risk from cash and cash equivalents. The maximum exposure to credit risk is equal to the fair value or carrying value of the related financial assets. The Company's receivables consist of amounts due from customers, HST due from the Government of Canada, a note receivable and accrued interest due from an unrelated company. Some customers send payment past normal trade terms and in cases where amounts become uncollectible the Company recognizes bad debt expense to write off the uncollectible amounts. At June 30, 2014, the Company had \$212,118 (December 31, 2013 - \$159,897) in amounts due from customers greater than 90 days and during fiscal 2013 recognized bad debt expense of \$15,000 (fiscal 2012 - \$12,000).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on the Company's ability to receive continued financial support from its stakeholders and, ultimately, on the Company's ability to generate continued profitable operations. Management is of the opinion that sufficient working capital is available from its financings and will be obtained from operations to meet the Company's liabilities and commitments as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices. Such fluctuations may be significant.

a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant. A plus or minus 1% change in interest rates would affect profit or loss and comprehensive profit or loss by approximately \$1,150.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, accounts receivable, note receivable, HST receivable and accounts payable and accrued liabilities that are denominated in a foreign currency. As at June 30, 2014, the Company held material amounts of cash and cash equivalents in Canadian currency and considers foreign currency risk moderate. A plus or minus 1% change in foreign exchange rates would affect profit or loss and comprehensive profit or loss by approximately \$734.

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13. FINANCIAL INSTRUMENTS (cont'd...)*b) Foreign currency risk (cont'd...)*

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

		June 30, 2014		December 31, 2013
Cash and cash equivalents	C\$	127,145	C\$	106,780
Accounts receivable		562		428
HST receivable		9,290		6,067
Accounts payable and accrued liabilities		(63,565)		(51,943)
Total	C\$	73,432	C\$	61,332

c) Marketable securities price risk

The Company is exposed to marketable securities price risk to the extent that the marketable securities held by the Company are subject to volatile fluctuations in market price. The marketable securities price risk on marketable securities is considered significant. A plus or minus \$0.10 change in share price would affect profit or loss and comprehensive profit or loss by approximately \$200.

Further, the Company is exposed to fluctuations in the fair value of the derivative liability due to fluctuations in the market price of its own stock. Assuming that the other input variables of the Black-Scholes valuation model stay the same, a plus or minus 1% change in the market price of the Company's stock would cause an increase in value of \$3,757 and a decrease in value of \$3,749.

14. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity (deficiency). The Company has no debt obligations other than deferred revenue, due to related parties and accounts payable and accrued liabilities in the ordinary course of operations. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements.

15. QUALIFYING TRANSACTION

On March 1, 2012, the Company completed its Qualifying Transaction. The acquisition has been accounted for as a reverse takeover ("RTO") whereby for accounting purposes Consumer Impulse is treated as the accounting parent company (legal subsidiary) and Snipp Interactive Inc. is treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As Consumer Impulse is the deemed acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements and the assets and liabilities of Snipp Interactive Inc. at March 1, 2012 and the results of its operations after March 1, 2012 are included in these consolidated financial statements.

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15. QUALIFYING TRANSACTION (cont'd...)

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all the goods or service received in return. Since the Company issued shares to Consumer Impulse with a value in excess of the assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as a listing expense. The amount assigned to listing expense of \$514,284 is the difference between the fair value of the consideration of \$814,969 and the net identifiable assets of the accounting subsidiary of \$304,492 acquired by the accounting parent and included in the consolidated statements of operations and comprehensive income (loss).

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse takeover transaction. This represents the fair value of the shares that the accounting parent would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Consumer Impulse acquiring 100% of the shares in Snipp Interactive Inc. The fair value of Snipp Interactive's share capital before the reverse takeover was \$2,030,600, which represents the \$2,030,600 proceeds raised from the Financing. The percentage of ownership the legal parent's shareholders had in the combined entity is 31.3% after the issue of 22,742,305 shares to Consumer Impulse shareholders and the issue of 400,000 finder's fee shares.

The book value of the 6,188,688 warrants that were issued pursuant to the RTO was determined to be \$404,796 using a relative fair value method based on the estimated fair value of these warrants using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 125%, risk-free interest rate of 1.12% and an expected life of 5 years. The remaining value of the consideration less the relative fair value of the warrants, totalling \$410,173, was allocated to the 23,142,305 shares common shares issued (22,742,305 Transaction shares and 400,000 finder's fee shares).

The fair value of the consideration deemed to have been paid to Snipp Interactive Inc. was estimated as follows:

Estimated fair value of 22,742,305 shares, 400,000 finder's fee shares and 6,188,688 warrants deemed issued by Consumer Impulse to Snipp Interactive Inc. (formerly Alya Ventures Ltd.)	\$ 814,969
Redemption value of 37,499,997 Series 1 preferred shares	3,807
Net assets of Snipp Interactive Inc. acquired (as indicated below)	(304,492)
Listing expense	\$ 514,284

The listing expense of \$514,284 is a non-cash expense item that represents the excess fair value associated with the shares issued on Closing of the Qualifying Transaction over the fair value of the net assets acquired by the accounting acquirer (legal subsidiary). Prior to Closing the net asset value of the Company was \$304,492 (C\$299,904). As a condition to closing of the Transaction, the Company also completed a private placement financing for gross proceeds of \$2,030,600 (C\$2,000,000). (Note 11)

The fair value of the net assets of the Company prior to Closing was as follows:

Cash and cash equivalents	\$ 276,551
Receivables	31,220
Deposits	20,306
Accounts payable and accrued liabilities	(23,585)
	\$ 304,492

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

(Expressed in U.S. Dollars unless otherwise noted)

(Unaudited)

June 30, 2014

15. QUALIFYING TRANSACTION (cont'd...)

The Company and Consumer Impulse structured the Transaction with the intention that it qualify as a “tax free reorganization” under §368(A)(1)(F) of the U.S. Tax Code, as a result of the Company being converted into a “domestic corporation” for the purposes of §368(a)(1)(F) of the U.S. Tax Code by virtue of the Consumer Impulse shareholders controlling 80% or more of the vote or value of the Company upon Closing. In order to qualify as a “tax free reorganization”, and as part of the Transaction, the Company issued to Consumer Impulse shareholders 37,499,997 Series 1 Preferred Shares so that such shareholders controlled at least 80% of the Company’s vote at Closing as defined under the U.S. Tax Code, and immediately following such time, the Company redeemed all of the Preferred Shares for \$0.0001 per Preferred Share.

16. SUBSEQUENT EVENTS

On July 15, 2014, the Company announced the closing of an oversubscribed non-brokered private placement financing (the “Financing”) with insider participation. The Financing was comprised of 10.4 million units (“Units”) at a price of Cdn.\$0.15 per Unit for gross proceeds of Cdn.\$1,560,000. Each Unit consists of one common share (“Share”) and one share purchase warrant (“Warrant”), with each Warrant entitling the holder to purchase one Share at an exercise price of Usd.\$0.20 for a period of three years from the date of distribution. The Company paid finder's fees of \$118,800 in cash and issued 792,000 finder’s options (“Finder’s Options”) in connection with this Financing. Each Finder’s Option entitles the holder to purchase one Unit (“Finder’s Unit”) at an exercise price of Cdn.\$0.15 for a period of three years from the date of distribution. Each Finder’s Unit will consist of one Share and one Warrant, with each Warrant entitling the holder to purchase one Share at an exercise price of Usd.\$0.20 for a period of three years from the date of distribution. The Shares issued in the Financing and the Shares to be issued pursuant to the exercise of the Warrants are all subject to a hold period expiring on November 15, 2014.