

INNOVATIV MEDIA GROUP, INC.

FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2018

INNOVATIV MEDIA GROUP, INC.

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MARCH 31, 2018

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INNOVATIV MEDIA GROUP, INC.
BALANCE SHEETS (UNAUDITED)
AS OF MARCH 31, 2018 AND MARCH 31, 2017

	March 31, 2018	March 31, 2017
ASSETS		
Current Assets		
Cash	\$ 95,067	\$ 72,889
Accounts receivable	10,250	24,512
Total Current Assets	<u>105,317</u>	<u>97,401</u>
Property and equipment, net (note 2)	3,006	3,779
Stock Subscription and Advertising Credit (note 4)	154,350	129,350
Stock held in non-affiliated pubco and private co (note 1)	315,000	120,000
Other Assets		
Unamortized Film and Sports Content Assets (note 3)	<u>2,225,000</u>	<u>2,325,000</u>
TOTAL ASSETS	<u>\$ 2,802,673</u>	<u>\$ 2,675,530</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accounts payable	\$ 18,910	\$ 26,852
Advances	20,000	1,000
Estimated costs to complete films (note 3)	4,000	0
Note payable – non-affiliate (note 5)	52,500	4,509
Note payable – non-affiliate (note 5)	<u>110,000</u>	<u>0</u>
Total Current Liabilities	<u>205,410</u>	<u>32,361</u>

The accompanying notes are an integral part of the financial statements.

STOCKHOLDERS' EQUITY

Common stock (500,000,000 and 250,000,000 shares authorized; \$.00000001 par value; 291,724,670 and 206,724,670 shares issued and outstanding, respectively) (note 6)	2124	2049
Series A Preferred stock (10,000,000 shares authorized; \$.00000001 par value; 5,000,000 shares issued and outstanding) (note 6)	1	1
Paid in capital	242,357	242,357
Series B Preferred stock: \$.000001 par value 10,000,000 authorized, 32 Issued and Outstanding (note 6)	1	1
Series C Preferred stock: \$.000001 par value 20,000,000 authorized, 0 Issued and Outstanding (note 6)	1	1
Total Stockholders' Equity	<u>2,597,263</u>	<u>2,643,169</u>
		\$
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,802,673</u>	<u>2,675,530</u>

The accompanying notes are an integral part of the financial statements.

INNOVATIV MEDIA GROUP, INC.
STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE QUARTERS ENDED MARCH 31, 2018 AND 2017

	Quarter ended March 31, 2018	Quarter ended March 31, 2017
GROSS REVENUES	\$40,104	\$ 46,008
OPERATING EXPENSES		
Bank fees	90	75
Technical Services	612	679
IP/Channel Investment/Data Feeds	12,108	100
Compliance and Filing fees	3,500	3,450
General administrative expenses	14,781	13,411
Insurance	878	2,076
Office and Internet expenses	1,243	1,163
Professional fees/IR/Conferences	500	840
Travel and Entertainment	3,097	3,245
Marketing, Development and Production	4,250	16,100
TOTAL OPERATING EXPENSES	41,059	41,139
INCOME (LOSS) FROM OPERATIONS	(955)	4,869
OTHER INCOME (EXPENSE)		
Interest income	28	83
Amortization of film costs (notes 1,3)	(25,000)	(25,000)
TOTAL OTHER INCOME (EXPENSE)	(25,927)	(24,917)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(25,927)	(20,048)
(PROVISION) BENEFIT FOR INCOME TAX EXPENSE	0	0
NET INCOME (LOSS)	\$ (25,927)	(20,048)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING FOR THE PERIOD	291,724,670	192,424,670
NET INCOME (LOSS) PER SHARE (Note 1)	(.00085)	(.00010)

accompanying notes are an integral part of the financial statements.

INNOVATIV MEDIA GROUP, INC.
STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
AS OF MARCH 31, 2018

	<u>Common Stock</u>		<u>Preferred Stock Series</u>			<u>Additional Paid in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>A</u>	<u>B</u> <u>C</u>			
Balance 12/31/17	291,724,670	2134	5,000,000 Series A	1		242,357	(455,315)	(455.315)
			32 Series B	1				
			0 Series C	2				
Net Loss 3/31/18							(25,927)	(25,927)
Balance 3/31/18	291,724,670	2134	5,000,032	5		242,357	(481,242)	

The accompanying notes are an integral part of the financial statements.

INNOVATIV MEDIA GROUP, INC.
STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTERS ENDED MARCH 31, 2018 AND MARCH 31, 2017

	Quarter ended March 31, 2018	Quarter ended March 31, 2017
Cash Flows from Operating Activities:		
Net Income (Loss) for the Quarter	\$ (25,927)	(20,048)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation	0	5
Stock issued for services	0	0
Stock Subscription paid	0	0
Cash gained from acquired business	0	4,952
Amortization of film assets	25,000	25,000
Changes in Assets and Liabilities		
Increase (decrease) in accounts receivable	(11,360)	(13,308)
(Increase) decrease in prepaid consulting	0	0
(Increase) decrease in accounts payable	(1,199)	(14,408)
Increase (decrease) in accrued interest – related parties	0	0
(Increase) decrease in estimated cost to complete films	0	0
Net Cash Provided by Operating Activities	<u>(13,486)</u>	<u>(17,807)</u>
Cash Flows from Investing Activities:		
Purchase of business equity	195,000	0
Stock held in non-affiliate	120,000	120,000
Net Cash Used in Investing Activities	<u>315,000</u>	<u>120,000</u>
Cash Flows from Financing Activities:		
Convertible Debt - net	52,500	0
Conversion of debt to common stock	0	0
Redemption of Loan – non-affiliate	4,509	0
Net Cash Provided by Financing Activities	<u>57,009</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,486)	(17,807)
Cash and Cash Equivalents – Beginning	349,123	273,547
Cash and Cash Equivalents – Ending	<u>\$ 335,637</u>	<u>\$ 255,740</u>

The accompanying notes are an integral part of the financial statements.

INNOVATIV MEDIA GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 1: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Company

Innovativ Media Group, Inc. was incorporated on March 8, 2005 under the laws of the State of Washington. Innovativ Media Group, Inc. is referred to herein as the "Company". The Company operates in the entertainment industry; specifically, in connection with the development, production, marketing of motion pictures, online content and related businesses. In July 2015 the Company acquired all right and title to certain film media content including completed motion pictures, related active distribution contracts, certain developed but unproduced projects, several developing business methods and concepts, an active online video channel and 18 internet domains and, subsequently, has also developed additional online channels and content. In early April 2017 the Company acquired certain assets in CannaTV OÜ and during the fiscal year constructed, and is now operating, an online channel and platform at CannaNet.TV that launched on November 28, 2017. The Company is developing, producing and licensing content on an ongoing basis for the channel and has contracted with a business to manage all advertising sales and most operations. The majority of the Company's revenues during the quarter continued to be generated from licensing with ad revenues accruing from the newly launched platforms making a modest contribution. The Company also acquired, for restricted stock in November 2017, LocalCannabisDispensary.com: an ad supported and subscriber based directory and search engine for legal cannabis dispensaries and stores and on January 18, 2018 entered into agreement with a third party to provide credit card merchant banking services, via KushProcessing.com, to the legal cannabis industry. The Company intends to market Kush Processing through resellers and its own direct efforts. The agreement generated no income in the Quarter but the business has attracted interest and applications.

Basis of Presentation

The accompanying interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments necessary in order for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of annual results.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash Equivalents

For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents, however, stock held in small public and private entities are excluded and have been accounted for at estimated market value relative to acquisition price.

Property and Equipment

The capital assets are being depreciated over their estimated useful lives using the straight-line method of depreciation for book purposes on an annualized basis.

Revenue Recognition

Revenue consists substantially of fees, royalties and ad revenues earned from movies, videos and other assets and platforms in which we have interests. We recognize revenue from a sale or licensing arrangement of content when all of the following conditions are met: persuasive evidence of a sale or licensing arrangement with a customer exists; the film or project is complete; the license period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale; the arrangement fee is fixed or determinable or collection reasonably assured or when advertising revenues or subscriber fees are actually paid and collected. In 2015 the Company received securities for the sale of certain sports fantasy related businesses and assets and intends to recognize the revenues from the sale upon the liquidation of the securities.

INNOVATIV MEDIA GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 1: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, stock in a public company, equity interests in a private businesses, accounts payable, accrued interest and a convertible note. The carrying amount of these financial instruments approximates fair value that approximate prevailing market rates or a reasonable estimate of market value unless otherwise disclosed in these financial statements.

Unamortized Film Costs

The Company acquired entertainment assets for which it paid restricted stock. The Company valued the unamortized portion of the entertainment content assets acquired in July 2015 at \$2,500,000 based upon the selling company's prior investment and the Company's current assessment of the distribution cycles of the content. Unamortized film costs consist of investments in films, live productions, online content, unproduced projects and marketing. The Company's acquisition of equity interests in a private entertainment Company and Online Directory are valued at a fair market estimate. The costs eligible for amortization include all direct production, marketing and financing costs and production overhead. Costs of acquiring, producing and marketing films and other content are amortized using the individual forecast method, whereby these costs are amortized and participation and residual costs are accrued in the proportion that current year's revenue bears to management's estimate of ultimate revenue at the beginning of the current year expected to be recognized from the exploitation, exhibition or sale of the film and video content. The Company recognizes the full value of any existing contractual obligations or estimated obligation to complete projects on the same basis as accounts payable. As of March 31, 2018 the Company has amortized \$275,000 of the costs of the July asset acquisition.

Ultimate revenue includes estimates over a period not to exceed ten years following the date of initial release. The Company is projecting to amortize these assets at a rate of 4% a year for the first 5 years then 16% a year for the following 5 years. Management reserves the right to accelerate this schedule. Unamortized content costs are stated at the lower of amortized cost or estimated fair value on an individual project basis. The value of the private equity will be reviewed from time to time. The fair value of the content is determined using management's future revenue and cost estimates. Additional amortization is recorded in the amount by which the unamortized costs exceed the estimated fair value of the content. The Company's investment in the development and operation of its CannaNet.TV has been principally expensed and the Company will continue this policy until such time as the Company can better forecast revenues. Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in filmed content may be required as a consequence of changes in management's future revenue estimates. (Also Note 3.)

Income Taxes

The Company uses the asset and liability method of accounting of income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We evaluate deferred tax assets to determine whether it is more likely than not that they will be realized.

Comprehensive Income

The Company established standards for reporting and display of comprehensive income, its components and accumulated balances. The Company has not had any transactions that are required to be reported in other comprehensive income. Interest income that is not material in a given period may be offset by bank charges and not recognized.

INNOVATIVE MEDIA GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 1: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and Diluted Income (Loss) Per Share

Basic earnings (loss) per common share is computed by dividing net income or (loss) available to common stockholders by the weighted average number of common shares outstanding and are calculated to a maximum of .00000 percent.. Diluted earnings per common share is computed similar to basic earnings per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. At March 31, 2018 the Company had no stock equivalents that were anti-dilutive and excluded in the earnings per share computation.

Recent Accounting Pronouncements

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the results of its operations, financial position or cash flow.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31, 2018 and March 31, 2017:

	March 31, 2018	March 31, 2017
		\$
Furniture and fixtures	\$ 3,779	4,724
Less accumulated depreciation	(773)	(945)
		\$
Property and equipment, net	<u>\$ 3,006</u>	<u>3,779</u>

NOTE 3: UNAMORTIZED FILM COSTS AND SPORTS BUSINESSES WRITE DOWN

Unamortized Film Costs include the following titles:

Night of the Living Dead 3D
 Nightmares in Red, White and Blue , American Grindhouse
 Area 51: The Alien Interview film assets
 The Alien Interview Channel/HPLovecraft.TV
 Distribution contracts
 Unproduced projects, Mountains of Madness web series
 Film Finance Project/Wasteland Saints
 Films of Fury
 Gameplay
 Money for Nothing
 Night of the Living Dead 3D: Reanimation
 ModRock audio visual
 Program Search Engine Project
 Various other content related assets

INNOVATIV MEDIA GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 3: UNAMORTIZED FILM COSTS AND SPORTS BUSINESSES WRITE DOWN (CON'T)

The Company is amortizing its film content assets acquired in July 2015 at 4% annually for the first 5 years and then 16% annually for the next 5 years. For the Quarter ended March 31, 2018, the Company amortized 4% for a total of \$25,000. Upon the acquisition of the Innovative Media assets the Company fully wrote off all remaining sports business assets except for its interest in Total Sports Media, Inc. The Company has, to date, expensed development, production and marketing costs for its CannaNet.TV platform and is accruing liabilities for any advances and estimates to complete production, including for the original series "The Green Room Comedy Show", content contracts and performance royalties.

NOTE 4: STOCK SUBSCRIPTION, PRIVATE EQUITY INVESTMENTS AND AD CREDITS

The Company on June 15, 2012 entered into a Stock Purchase Agreement with Wilshire Capital Ltd. ("Wilshire") whereby Wilshire has agreed to purchase for an aggregate subscription price of \$300,000 a certain number of shares of common stock of the Company. The Agreement with Wilshire provided the Company with \$242,347 in equity financing and has now terminated. During the year the Company made an investment in cash and in restricted common shares into a private entertainment Company which is also licensing content to the Company's CannaNet. TV Channel and the Company acquired a Directory and Search Engine. The Company is estimating the value of the investments at a fixed sum relative to fair market value. Also during the year the Company invested into the production of a live event and negotiated and received a \$25,000 advertising credit with a corporate awareness firm, which may be utilized at the discretion of the Company, and which is booked as an adjustable asset.

NOTE 5: NOTE PAYABLE – NON-AFFILIATE

On September 19, 2017 the Company secured a Convertible Promissory Note from River North Equity, LLC in the amount of \$52,000. The Note bears interest at the rate of 6% per annum with payment deferred to the Note's maturity date which has been extended to September 18, 2019. The Note holder may elect at any point during the Note's pendency to convert the Note into restricted common shares of the Company at a fixed conversion price of \$0.0261 per common share. In early October 2017 the Company redeemed all of the remaining Series B Preferred Stock held by a shareholder in exchange for the issuance of an on-demand Company Promissory Note with a face value of \$110,000, which accrues interest at the rate of 6% per annum. The redeemed Preferred Stock has been returned to the Company Treasury. Also during the prior year the Company paid a non-material note to a former officer of the Company in full.

NOTE 6: STOCKHOLDERS' EQUITY

The Company has four (4) classifications of stock with four (4) designations. The classes are Common Stock, Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock.

The Company has 500,000,000 authorized shares and had 291,724,670 issued and outstanding shares as of May 7, 2018.

The Company as of March 31, 2018 had 10,000,000 shares of Series A Preferred Stock authorized of which 5,000,000 are issued and outstanding. The Series A Stock is not convertible to Common Stock but it does entitle the holder to super voting rights representing 80% voting control of the Company.

The Company as of March 31, 2018 had 11,139 shares of Series B Preferred Stock authorized and 32 issued and outstanding, which are subject to a lock-up agreement. The Series B Preferred Stock is convertible into Common Stock on a basis of 1 Preferred share to 2,500,000 Common shares and is non-dilutive as to stock splits.

INNOVATIV MEDIA GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

The Company as of March 31, 2018 has 20,000,000 shares of Series C Preferred Stock authorized. The Series C Preferred Stock is convertible into Common Stock at the election of the holder at \$.20 per share and also has preferential liquidation rights. During the Quarter no Series C Preferred Stock was issued.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Company neither owns nor leases any real or personal property. An officer has provided office facilities and services and the Company is only obligated to pay for technical services and certain office expenses but no rent. There is no obligation for this arrangement to continue. Such costs are immaterial to the financial statements and accordingly are not reflected herein. The Company is primarily outsourcing the continuing development, day to day operation and ad sales of the CannaNet.TV platform and LocalCannabisDispensary.com to third parties via contractual relationships. The Company is investigating and testing the viability of providing direct marketing support for its Kush Processing credit card merchant banking services business for the legal cannabis, hemp and CBD industry. The maintenance, operation and continuing content procurement for the Channel and Directory will require material ongoing investment. The Company intends to principally support the platforms development and operation from its cash flows.

NOTE 8 – SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to May 7, 2018, the date these financial statements were issued, and has determined that it does not have any other material subsequent events to disclose in these financial statements other than what is discussed in these financial statements.