

**INNOVATIV MEDIA GROUP, INC.**

**FINANCIAL STATEMENTS**

**QUARTER ENDED JUNE 30, 2018**

**INNOVATIV MEDIA GROUP, INC.**

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**JUNE 30, 2018**

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**INNOVATIV MEDIA GROUP, INC.**  
**BALANCE SHEETS (UNAUDITED)**  
**AS OF JUNE 30, 2018 AND JUNE 30, 2017**

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 93,027	\$ 50,874
Accounts receivable	3,905	37,220
Total Current Assets	<u>96,932</u>	<u>88,094</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	225,000
<b>Other Assets</b>		
Unamortized Film and Sports Content Assets (note 3)	<u>2,200,000</u>	<u>2,300,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,769,288</u></u>	<u><u>\$ 2,746,223</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 12,015	\$ 34,017
Advances	20,000	25,000
Estimated costs to complete films (note 3)	2,000	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>196,515</u>	<u>63,526</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 256,724,670 shares issued and outstanding, respectively) (note 6)	2134	2099
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>2,572,773</u>	<u>2,682,697</u>
		\$
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 2,769,288</u>	<u>2,746,223</u>

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

**INNOVATIV MEDIA GROUP, INC.**  
**STATEMENTS OF OPERATIONS (UNAUDITED)**  
**FOR THE QUARTERS ENDED JUNE 30, 2018 AND 2017**

	Quarter ended June 30, 2018	Quarter ended June 30, 2017
<b>GROSS REVENUES</b>	\$36,741	\$ 60,458
<b>OPERATING EXPENSES</b>		
Bank fees	135	90
Technical Services	1,180	712
IP/Channel Investment/Data Feeds	6,475	25,100
Compliance and Filing fees	3,450	450
General administrative expenses	12,018	14,888
Insurance	878	876
Office and Internet expenses	1,236	1,005
Professional fees/IR/Conferences	813	3,998
Travel and Entertainment	2,715	2,012
Marketing, Development and Production	3,009	38,111
<b>TOTAL OPERATING EXPENSES</b>	31,909	87,342
<b>INCOME (LOSS) FROM OPERATIONS</b>	4,854	(26,884)
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	22	97
Amortization of film costs (notes 1,3)	(25,000)	(25,000)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	(20,146)	(24,903)
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	(20,146)	(51,787)
<b>(PROVISION) BENEFIT FOR INCOME TAX EXPENSE</b>	0	0
<b>NET INCOME (LOSS)</b>	\$ (20,146)	(51,787)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING FOR THE PERIOD</b>	291,724,670	216,213,335
<b>NET INCOME (LOSS) PER SHARE (Note 1)</b>	(.00068)	(.00024)

accompanying notes are an integral part of the financial statements.

**INNOVATIV MEDIA GROUP, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)**  
**AS OF JUNE 30, 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>Amount</u>			
Balance 3/31/18	291,724,670	2134	5,000,000 Series A	1		242,357	(481,242)	(481,242)
			32 Series B	1				
			0 Series C	2				
Net Loss 6/30/18							(20,146)	(20,146)
Balance 6/30/18	291,724,670	2134	5,000,032	5		242,357	(501,388)	

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

**INNOVATIV MEDIA GROUP, INC.**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE QUARTERS ENDED JUNE 30, 2018 AND JUNE 30, 2017**

	<b>Quarter ended June 30, 2018</b>	<b>Quarter ended June 30, 2017</b>
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss) for the Quarter	\$ (20,146)	(51,787)
<b>Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:</b>		
Depreciation	0	0
Stock issued for services	0	12,500
Stock Subscription paid	0	0
Cash gained from acquired business	0	0
Amortization of film assets	25,000	25,000
<b>Changes in Assets and Liabilities</b>		
Increase (decrease) in accounts receivable	(6,345)	12,708
(Increase) decrease in prepaid consulting	0	0
(Increase) decrease in accounts payable	(6,895)	(7,165)
Increase (decrease) in accrued interest – related parties	0	0
(Increase) decrease in estimated cost to complete films	0	0
<b>Net Cash Provided by Operating Activities</b>	<u>(8,386)</u>	<u>(8,744)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of business equity	195,000	105,000
Stock held in non-affiliate	120,000	120,000
<b>Net Cash Used in Investing Activities</b>	<u>315,000</u>	<u>225,000</u>
<b>Cash Flows from Financing Activities:</b>		
Convertible Debt - net	52,500	0
Conversion of debt to common stock	0	0
Redemption of Loan – non-affiliate	0	0
<b>Net Cash Provided by Financing Activities</b>	<u>52,500</u>	<u>216,256</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(8,386)	99,256
<b>Cash and Cash Equivalents – Beginning</b>	335,637	255,740
<b>Cash and Cash Equivalents – Ending</b>	<u>\$ 327,351</u>	<u>\$ 351,996</u>

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

**INNOVATIV MEDIA GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 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 modest contributions. 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. In a subsequent event to this period, more fully described in Note 8, the Company acquired Demand Brands, Inc. and as a result intends to change its operating focus.

**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.



**INNOVATIV MEDIA GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 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 June 30, 2018 the Company has amortized \$300,000 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**  
**JUNE 30, 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 June 30, 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 June 30, 2018 and June 30, 2017:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
		\$
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**  
**JUNE 30, 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 June 30, 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, contracts or content including for the original series "The Green Room Comedy Show".

**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 and acknowledge these investments may require full write downs in the future. 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 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 fiscal 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 362,224,670 fully diluted issued and outstanding shares as of August 10, 2018 for all categories of stock and accounting to subsequent events outside of the period.

The Company as of June 30, 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 June 30, 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**  
**JUNE 30, 2018**

The Company as of June 30, 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. Subsequent to the period the Company has concluded an acquisition that will materially change the focus of the business, alter its management structure and materially re-structure the Company's balance sheet. Commitments and Contingencies effected by the transaction will be more fully disclosed in the subsequent reporting periods.

**NOTE 8 – SUBSEQUENT EVENTS**

On July 16, 2018 the Company entered into a Stock Purchase Agreement with Demand Brands, Inc. ("Demand") to acquire 100% of its issued and outstanding shares and all of its assets and joint venture agreements. Demand is a collection of businesses and brands operating in the Health, Wellness, Cannabis Edibles, Hemp and CBD sectors. Additionally on July 16, 2018 the Company, Demand, Innovative Media Group, Inc. and various individuals and third parties entered into a Stock Transfer, Operating and Assets Purchase Agreement. Under this agreement Demand Directors Bruce Hannan ("Hannan") and Guy Peckham ("Peckham") will join the Company's Board of Directors and become senior Officers responsible for managing the Company moving forward. The Company is spinning out and selling non-core assets but will maintain interests in CannaNet.TV, Kush Processing and LocalCannabisDispensaries.com. In consideration for Debt Purchase Agreements the Company is retiring all material Company debt and redeemed additional outstanding shares of its Preferred stock. In consideration for the transactions Innovativ has transferred 5,000,000 Series A Preferred shares to Hannan and Peckham and issued 300 Series B shares and 5,000,000 Series C Preferred shares to various Demand shareholders including Hannan and Peckham.

The Agreements commit the Company to have future Financial Statements audited and to apply for an up listing to the OTCQB or OTCQX or equivalent exchange. The Company intends to change its name to Demand to better reflect its business focus. The transaction formally closed in the first week of August 2018.

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to August 10, 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.