



(Formerly Primary Petroleum Corporation)

## **Condensed Consolidated Interim Financial Statements**

**For the Three Months Ended May 31, 2015 and 2014**

(Expressed in Canadian Dollars)

(Unaudited)

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

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

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

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

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	May 31, 2015	February 28, 2015
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 977,099	\$ 1,754,838
Accounts receivable	137,200	160,804
Other receivables	109,150	891,854
Prepaid expenses	114,951	128,858
Investment tax credits receivable	-	337,500
	<b>1,338,400</b>	<b>3,273,854</b>
<b>Prepaid expenses</b>	<b>51,747</b>	<b>51,747</b>
<b>Intangible assets</b>	<b>36,052</b>	<b>38,376</b>
<b>Property and equipment (Note 4)</b>	<b>1,374,008</b>	<b>1,847,057</b>
	<b>\$ 2,800,207</b>	<b>\$ 5,211,034</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	\$ 2,841,963	\$ 1,789,163
Current portion of finance lease obligations	2,393	4,781
Secured notes (Note 8)	5,256,014	5,176,594
	<b>8,100,370</b>	<b>6,970,538</b>
<b>Shareholders' Deficiency</b>		
Share capital (Note 6)	45,150,064	45,150,064
Contributed surplus	17,460,206	16,998,992
Warrants reserve (Note 6)	290,950	290,950
Deficit	(68,201,383)	(64,199,510)
	<b>(5,300,163)</b>	<b>(1,759,504)</b>
	<b>\$ 2,800,207</b>	<b>\$ 5,211,034</b>

Nature of Operations and Going Concern (Note 1)

Related Party Transactions (Note 9)

Commitments (Note 10)

Subsequent Events (Note 12)

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

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Condensed Consolidated Interim Statements of Comprehensive Loss

For the Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended May 31,	
	2015	2014
<b>Revenue</b>		
Advertising revenue	\$ 101,849	\$ -
<b>Expenses</b>		
Salaries and benefits (Note 7)	1,323,680	1,487,444
Advertising and marketing (Note 7)	670,324	473,443
Consulting fees	539,272	731,581
Internet and communications	426,102	498,334
Office and general	157,293	241,668
Occupancy costs	127,801	156,706
Professional fees	68,035	130,637
Translation and software licensing	25,202	72,175
Foreign exchange loss	12,119	115,091
Amortization	503,748	526,858
	3,853,576	4,433,937
<b>Other expenses (income)</b>		
Interest and accretion expense	250,492	27,428
Interest income	(346)	(42,567)
Gain on settlement of debts (Note 5)	-	(135,670)
	250,146	(150,809)
<b>Net loss from continuing operations</b>	\$ (4,001,873)	\$ (4,283,128)
<b>Net loss from discontinued operations</b>	-	(130,681)
<b>Net loss for the period</b>	\$ (4,001,873)	\$ (4,413,809)
Exchange differences on translating foreign operations	-	(36,410)
<b>Comprehensive loss for the period</b>	\$ (4,001,873)	\$ (4,450,219)
<b>Net loss per share from continuing operations*</b>		
Basic and diluted	\$ (0.35)	\$ (0.39)
<b>Net loss per share from discontinued operations*</b>		
Basic and diluted	\$ 0.00	\$ (0.01)
<b>Net loss per share*</b>		
Basic and diluted	\$ (0.35)	\$ (0.40)
<b>Weighted average number of common shares outstanding*</b>		
Basic and diluted	11,455,216	10,987,749

\*Reflects the January 15, 2015 one-for-thirty common share consolidation (Note 6)

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

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Condensed Consolidated Interim Statements of Changes in Equity

For the Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

	Common shares		Preference shares		Contributed	Warrants	Equity component of convertible debentures	Deficit	Total
	Number*	Amount	Number*	Amount	surplus	reserve			
<b>Balance at February 28, 2014</b>	<b>1,166,666</b>	<b>\$ 350</b>	<b>3,214,475</b>	<b>\$ 27,101,557</b>	<b>\$ 13,010,977</b>	<b>\$ 137,635</b>	<b>\$ 137,074</b>	<b>\$ (43,435,431)</b>	<b>\$ (3,047,838)</b>
Net loss for the period	-	-	-	-	-	-	-	(4,413,809)	(4,413,809)
Share-based payments (Note 7)	-	-	-	-	586,866	-	-	-	586,866
Issuance of preference shares for settlement of debt (Note 5)	-	-	12,327	110,945	-	-	-	-	110,945
Issuance of shares on conversion of convertible debentures	-	-	907,078	2,721,234	-	-	(84,746)	-	2,636,488
Amendment of convertible debentures	-	-	-	-	-	-	(43,931)	-	(43,931)
Issuance of shares under anti-dilution rights	-	-	1,114,800	-	-	-	-	-	-
Conversion of preference shares to common shares	5,248,680	29,933,736	(5,248,680)	(29,933,736)	-	-	-	-	-
Issuance of shares to effect the reverse acquisition transaction	5,013,590	15,040,770	-	-	48,299	-	-	-	15,089,069
Fair value difference on reverse acquisition transaction	-	-	-	-	1,372,531	-	-	-	1,372,531
Transfer of expired warrants	-	-	-	-	23,683	(23,683)	-	-	-
Exercise of options	333	1,075	-	-	(75)	-	-	-	1,000
Translation adjustment	-	-	-	-	(36,410)	-	-	-	(36,410)
<b>Balance at May 31, 2014</b>	<b>11,429,269</b>	<b>\$ 44,975,931</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 15,005,871</b>	<b>\$ 113,952</b>	<b>\$ 8,397</b>	<b>\$ (47,849,240)</b>	<b>\$ 12,254,911</b>
<b>Balance at February 28, 2015</b>	<b>11,455,216</b>	<b>\$ 45,150,064</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 16,998,992</b>	<b>\$ 290,950</b>	<b>\$ -</b>	<b>\$ (64,199,510)</b>	<b>\$ (1,759,504)</b>
Net loss for the period	-	-	-	-	-	-	-	(4,001,873)	(4,001,873)
Share-based payments (Note 7)	-	-	-	-	461,214	-	-	-	461,214
<b>Balance at May 31, 2015</b>	<b>11,455,216</b>	<b>\$ 45,150,064</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 17,460,206</b>	<b>\$ 290,950</b>	<b>\$ -</b>	<b>\$ (68,201,383)</b>	<b>\$ (5,300,163)</b>

\*Reflects the January 15, 2015 one-for-thirty common share consolidation (Note 6)

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

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Consolidated Statements of Cash Flows

For the Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Three Months Ended May 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows used in operating activities</b>		
Net loss for the period from continuing operations	\$ (4,001,873)	\$ (4,283,128)
<b>Items not affecting cash:</b>		
Amortization	503,748	526,858
Share-based payments (Note 7)	461,214	586,866
Accretion on secured notes (Note 8)	79,420	-
Issuance of preference shares for debt (Note 5)	-	110,945
Accretion on convertible debentures	-	3,643
Gain on settlement of debts (Note 5)	-	(135,670)
	<b>(2,957,491)</b>	<b>(3,190,486)</b>
<b>Changes in non-cash working capital items</b>		
Accounts receivable	23,608	-
Other receivables	782,703	(175,712)
Prepaid expenses	13,907	340,215
Investment tax credits receivable	337,500	450,000
Accounts payable and accrued liabilities	1,052,801	(1,950,552)
	<b>2,210,519</b>	<b>(1,336,049)</b>
<b>Net cash used in continuing operating activities</b>	<b>(746,972)</b>	<b>(4,526,535)</b>
<b>Net cash provided from discontinued operations</b>	<b>-</b>	<b>855,842</b>
<b>Net cash used in operating activities</b>	<b>(746,972)</b>	<b>(3,670,693)</b>
<b>Cash flows from (used in) financing activities</b>		
Cash acquired on reverse acquisition transaction	-	12,812,044
Proceeds from options exercised	-	1,000
Repayment of finance lease obligations	(2,388)	(614,870)
<b>Net cash generated from (used in) financing activities</b>	<b>(2,388)</b>	<b>12,198,174</b>
<b>Cash flows used in investing activities</b>		
Purchase of property and equipment	(28,379)	(41,412)
<b>Net cash used in investing activities</b>	<b>(28,379)</b>	<b>(41,412)</b>
<b>Net increase (decrease) in cash</b>	<b>(777,739)</b>	<b>8,486,069</b>
<b>Cash, beginning of period</b>	<b>1,754,838</b>	<b>454,476</b>
<b>Cash, end of period</b>	<b>\$ 977,099</b>	<b>\$ 8,940,545</b>
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ 5,012	\$ 23,785

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

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

#### Nature of Operations

Keek Inc. (formerly Primary Petroleum Corporation) (the "Company"), was incorporated under the provisions of the Business Corporations Act in the Province of British Columbia on May 20, 2004 and on January 10, 2008, was continued under the laws of the Province of Alberta. The Company is a publicly traded company listed on the TSX Venture Exchange ("TSX-V") under the symbol "KEK". The Company's principal activity is the development of an online social media app which allows users to upload and share personal videos of themselves. The Company's head office is 1 Eglinton Avenue East, Suite 416, Toronto, Canada, M4P 3A1.

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

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

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

On January 28, 2015, the Company executed a share purchase agreement with Mooncor Oil & Gas Corp. ("Mooncor"), a related party by nature of a common director, for the sale of 100% of the common shares of Primary Petroleum Company USA, Inc. ("PPC-USA") (a United States company), resulting in the disposition of PPC-USA and its wholly-owned subsidiaries Primary Petroleum Company LLC ("PPCLLC") (a United States company) and AP Petroleum Company LLC ("APLLC") (a United States company). The sale resulted in the disposition of all discontinued operations.

These condensed consolidated interim financial statements for the three months ended May 31, 2015, include the consolidated financial results of Keek, Primary, and Primary Petroleum Canada Corporation ("PPCC") (a wholly-owned subsidiary of Primary). The comparative balances for the three months ended May 31, 2014, are those of Keek for the three months ended May 31, 2014, and Primary and its wholly-owned subsidiaries, PPCC and PPC-USA, and its wholly-owned subsidiaries PPCLLC and APLLC, from March 5, 2014, the date of the reverse acquisition, to May 31, 2014. The comparative balances for the year ended February 28, 2015, are the consolidated balances of Keek, Primary, and PPCC.

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

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

#### Going Concern

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

During the three months ended May 31, 2015, the Company incurred a net loss of \$4,001,873 (May 31, 2014 - \$4,413,809) and, as of that date, the Company had accumulated a deficit of \$68,201,383 (February 28, 2015 - \$64,199,510) and negative cash flows from continuing operations of \$746,972 (May 31, 2014 - \$4,526,535). These factors create material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

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

### 2. BASIS OF PREPARATION

#### Statement of Compliance

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

These condensed consolidated interim financial statements follow the same basis of presentation, accounting policies and methods of computation as were followed in the preparation of Keek's annual audited consolidated financial statements for the year ended February 28, 2015. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with Keek's annual audited consolidated financial statements for the year ended February 28, 2015.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on July 30, 2015.

#### Basis of Presentation

These condensed consolidated interim financial statements are presented in Canadian dollars which is also the functional currency of the Company and its subsidiaries. The functional currency of the Company's former subsidiaries PPC-USA, PPCLLC, and AP LLC was the United States dollar.

These condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which have been measured at fair value.



# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

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## 2. BASIS OF PREPARATION (Continued)

### Principles of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Keek Inc. and PPCC. The accounting policies of the subsidiaries align with the policies adopted by the Company. Subsidiaries include all entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of another entity. All intercompany transactions, balances, and unrealized gains on transactions between group companies are eliminated.

### Critical Accounting Estimates and Judgments

The preparation of these condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The estimates and underlying assumptions are the same as those disclosed in the notes to the Company's February 28, 2015 annual audited consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are outlined in the annual audited consolidated financial statements of the Company as at and for the year ended February 28, 2015, and have been applied consistently to all periods presented in these financial statements.

### Adoption of New or Amended Accounting Standards

The Company did not adopt any new standards, amendments to standards, or interpretations during the three months ended May 31, 2015.

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

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

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

### 4. PROPERTY AND EQUIPMENT

#### For the Three Months Ended May 31, 2015

	February 28, 2015	Additions	Disposals and write-downs	May 31, 2015
<b>Cost</b>				
Computers	\$ 352,142	\$ 13,304	\$ -	\$ 365,446
Furniture and fixtures	34,067	-	-	34,067
Leasehold improvements	-	-	-	-
Servers	5,842,713	15,075	-	5,857,788
Software	68,701	-	-	68,701
Telephones	16,502	-	-	16,502
<b>Total cost</b>	<b>\$ 6,314,125</b>	<b>\$ 28,379</b>	<b>\$ -</b>	<b>\$ 6,342,504</b>
<b>Accumulated amortization</b>				
Computers	\$ (265,149)	\$ (22,913)	\$ -	\$ (288,062)
Furniture and fixtures	(7,485)	(4,259)	-	(11,744)
Leasehold improvements	-	-	-	-
Servers	(4,116,321)	(470,981)	-	(4,587,302)
Software	(63,780)	(2,293)	-	(66,073)
Telephones	(14,336)	(979)	-	(15,315)
<b>Total accumulated amortization</b>	<b>\$ (4,467,071)</b>	<b>\$ (501,425)</b>	<b>\$ -</b>	<b>\$ (4,968,496)</b>
<b>Carrying value</b>				
Computers	\$ 86,993	\$ (9,609)	\$ -	\$ 77,384
Furniture and fixtures	26,585	(4,259)	-	22,323
Leasehold improvements	-	-	-	-
Servers	1,726,392	(455,906)	-	1,270,486
Software	4,921	(2,293)	-	2,628
Telephones	2,166	(979)	-	1,187
<b>Total carrying value</b>	<b>\$ 1,847,057</b>	<b>\$ (473,046)</b>	<b>\$ -</b>	<b>\$ 1,374,008</b>

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 4. PROPERTY AND EQUIPMENT (Continued)

#### For the Year Ended February 28, 2015

	February 28, 2014	Additions	Disposals and write-downs	February 28, 2015
<b>Cost</b>				
Computers	\$ 274,475	\$ 77,667	\$ -	\$ 352,142
Furniture and fixtures	104,776	34,067	(104,776)	34,067
Leasehold improvements	516,140	-	(516,140)	-
Servers	5,728,723	113,990	-	5,842,713
Software	67,171	1,530	-	68,701
Telephones	16,502	-	-	16,502
<b>Total cost</b>	<b>\$ 6,707,787</b>	<b>\$ 227,254</b>	<b>\$ (620,916)</b>	<b>\$ 6,314,125</b>
<b>Accumulated amortization</b>				
Computers	\$ (184,753)	\$ (80,396)	\$ -	\$ (265,149)
Furniture and fixtures	(1,029)	(46,391)	39,935	(7,485)
Leasehold improvements	(25,164)	(50,355)	75,519	-
Servers	(2,188,005)	(1,928,316)	-	(4,116,321)
Software	(49,117)	(14,663)	-	(63,780)
Telephones	(9,884)	(4,452)	-	(14,336)
<b>Total accumulated amortization</b>	<b>\$ (2,457,952)</b>	<b>\$ (2,124,573)</b>	<b>\$ 115,454</b>	<b>\$ (4,467,071)</b>
<b>Carrying value</b>				
Computers	\$ 89,722	\$ (2,729)	\$ -	\$ 86,993
Furniture and fixtures	103,750	(12,324)	(64,841)	26,585
Leasehold improvements	490,976	(50,355)	(440,621)	-
Servers	3,540,718	(1,814,326)	-	1,726,392
Software	18,054	(13,133)	-	4,921
Telephones	6,618	(4,452)	-	2,166
<b>Total carrying value</b>	<b>\$ 4,249,835</b>	<b>\$ (1,897,319)</b>	<b>\$ (505,462)</b>	<b>\$ 1,847,057</b>

The write-down of leasehold improvements of \$440,621 relates to a former operating premises of the Company which is now occupied by a sub-tenant. The carrying value of leasehold improvements were written off as there is no future economic benefit to these costs as their cost is not being recovered through rental payments from the sub-tenant.

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised significantly of the following:

	May 31, 2015	February 28, 2015
Trade payables	\$ 2,178,876	\$ 1,238,595
Accrued liabilities	314,330	367,871
Accrued interest (Note 8)	348,757	182,697
	<b>\$ 2,841,963</b>	<b>\$ 1,789,163</b>

During the three months ended May 31, 2015, the Company settled trade payables with a fair value of \$NIL (May 31, 2014 - \$490,920) for cash payments totalling \$NIL (May 31, 2014 - cash payments of \$244,305 and the issuance of 12,327 shares at a value of \$9.00 per share for additional consideration of \$110,945), resulting in a gain on settlement of debt of \$NIL (May 31, 2014 - \$135,670).

# Keek Inc.

(Formerly Primary Petroleum Corporation)

## Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 6. SHARE CAPITAL

		May 31, 2015	February 28, 2015
<b>Authorized</b>			
Unlimited	Preference shares, no stated dividend, non-participating, non-voting		
Unlimited	Common shares, no par value		
<b>Issued</b>			
	Common shares	45,150,064	45,150,064
		\$ 45,150,064	\$ 45,150,064

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

#### Warrants

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

	Three Months Ended May 31, 2015		Year Ended February 28, 2015	
	Number of Warrants*	Weighted Average Exercise Price*	Number of Warrants*	Weighted Average Exercise Price*
Beginning balance	180,498	\$ 3.00	8,723	\$ 30.00
Granted	-	\$ -	180,498	\$ 3.00
Expired/Cancelled	-	\$ -	(8,723)	\$ 30.00
Exercised	-	\$ -	-	\$ -
Ending balance	180,498	\$ 3.00	180,498	\$ 3.00

\*Reflects the January 15, 2015 one-for-thirty common share consolidation (Note 6)

The Company had the following warrants outstanding at May 31, 2015:

Number of Warrants*	Exercise Price*	Expiry Date
100,000	\$3.00	November 6, 2017
72,166	\$3.00	November 24, 2017
8,332	\$3.00	February 5, 2018
<b>180,498</b>		

\*Reflects the January 15, 2015 one-for-thirty common share consolidation (Note 6)

#### Stock Option Plan

The Company has a stock option plan (the "Plan") which provides for the issuance of stock options to directors, officers, employees, consultants, and preferred partners with exercise prices not less than the discounted market price on the date of grant. The Plan restricts the maximum number of stock options authorized by the Board of Directors for issuance at any one time to 20% of the issued and outstanding common shares of the Company, being 2,291,043 as at May 31, 2015. Options granted under the Stock Option Plan to persons who do not perform investor relations activities for the Company vest over a thirty month period as to 10% vesting immediately; 10% vest in six months from grant date and 20% every six months thereafter, unless the Board of Directors determines otherwise, in which case options may have a longer or shorter vesting period, or no vesting period at all. Options granted to consultants performing investor relations activities vest in stages over 12 months with no more than one quarter of the options vesting in any three month period.

# Keek Inc.

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## Notes to the Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2015 and 2014

(Expressed in Canadian Dollars)

(Unaudited)

### 6. SHARE CAPITAL (Continued)

#### Stock Option Plan (Continued)

The following summarizes the stock option activities under the Plan:

	Three Months Ended May 31, 2015		Year Ended February 28, 2015	
	Number of Options*	Weighted Average Exercise Price*	Number of Options*	Weighted Average Exercise Price*
Beginning balance	2,074,711	\$ 4.54	715,667	\$18.33
Granted	24,000	\$ 1.00	1,812,074	\$ 3.34
Expired/Cancelled	(78,830)	\$ 7.11	(722,698)	\$20.21
Exercised	-	\$ -	(26,332)	\$ 3.00
Issued to effect the reverse acquisition	-	\$ -	296,000	16.69
<b>Ending balance</b>	<b>2,019,881</b>	<b>\$ 4.39</b>	<b>2,074,711</b>	<b>\$ 4.54</b>
<b>Exercisable</b>	<b>934,898</b>	<b>\$ 5.12</b>	<b>679,981</b>	<b>\$ 6.02</b>

\*Reflects the January 15, 2015 one-for-thirty common share consolidation (Note 6)

The Company had the following options outstanding at May 31, 2015:

Exercise Price*	Options Outstanding*	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price*	Options Exercisable*	Weighted Average Exercise Price (Exercisable)*
\$1.00	708,250	4.82 years	\$1.00	327,708	\$1.00
\$3.00	106,661	3.65 years	\$3.00	42,666	\$3.00
\$4.80	824,995	4.10 years	\$4.80	360,833	\$4.80
\$5.10	217,663	4.07 years	\$5.10	43,867	\$5.10
\$6.00	18,996	1.42 years	\$6.00	18,996	\$6.00
\$8.70	15,499	0.02 years	\$8.70	15,499	\$8.70
\$14.40	54,166	1.79 years	\$14.40	54,166	\$14.40
\$15.00	6,664	2.57 years	\$15.00	6,664	\$15.00
\$19.80	36,999	0.94 years	\$19.80	36,999	\$19.80
\$30.00	29,988	4.01 years	\$30.00	27,500	\$30.00
	<b>2,019,881</b>	<b>4.07 years</b>	<b>\$4.39</b>	<b>934,898</b>	<b>\$5.12</b>

\*Reflects the January 15, 2015 one-for-thirty common share consolidation (Note 6)

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### 6. SHARE CAPITAL (Continued)

#### Maximum Share Dilution

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

	May 31, 2015*	February 28, 2015*
Common shares outstanding	11,455,216	11,455,216
Stock options outstanding to purchase common shares	2,019,881	2,074,711
Warrants outstanding to purchase common shares	180,498	180,498
<b>Fully diluted common shares outstanding</b>	<b>13,655,595</b>	<b>13,710,425</b>

\*Reflects the January 15, 2015 one-for-thirty common share consolidation (Note 6)

Due to the net loss in the three months ending May 31, 2015 and 2014, the diluted weighted average number of shares used to calculate the diluted net loss per share is the same as the basic weighted average number of shares as the inclusion of dilutive shares would be anti-dilutive.

### 7. SHARE-BASED PAYMENTS

The total compensation expense relating to share-based payments granted to directors, officers, employees, service consultants and preferred partner consultants for the three months ended May 31, 2015, was \$461,214 (May 31, 2014 - \$586,866) with a corresponding charge to contributed surplus. In the absence of a reliable measurement of the fair value of the services received from service consultants and preferred partner consultants, the services have been measured at the fair value of the options issued.

For the three months ended May 31, 2015, share-based compensation expense related to directors, officers, employees and service consultants in the amount of \$307,172 (May 31, 2014 - \$548,752) is included in salaries and benefits. Share-based compensation expense related to share-based payments granted to preferred partner consultants for the three months ended May 31, 2015, in the amount of \$154,042 (May 31, 2014 - \$38,114) is included in advertising and marketing.

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

The weighted average fair value of options granted during the three month's ended May 31, 2015, was \$0.60 per option (year ended February 28, 2015 - \$2.12).

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

	May 31, 2015	February 28, 2015
Risk free interest rate (%)	1.52	1.28
Expected volatility (%)	100	100
Expected life (in years)	5.00	5.00
Expected dividends	Nil	Nil
Weighted average share price*	\$0.83	\$3.14

\*Reflects the January 15, 2015 one-for-thirty common share consolidation (Note 6)

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### 8. SECURED NOTES

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

On November 6, 2014, the Company issued \$3,000,000 aggregate principal amount Notes to Pinetree Capital Ltd. (TSX: PNP) ("Pinetree"), a former significant shareholder of the Company. In consideration for the Notes, the Company issued 100,000 non-transferable common share purchase warrants.

On November 24, 2014, the Company issued \$2,165,000 aggregate principal amount Notes, including \$270,000 to certain directors and officers of the Company. In consideration for the Notes, the Company issued 72,166 non-transferable common share purchase warrants, including 9,000 warrants to certain directors and officers of the Company.

On February 5, 2015, the Company issued \$250,000 aggregate principal amount Notes. In consideration for the Notes, the Company issued 8,332 non-transferable common share purchase warrants.

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

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

	Three Months Ended May 31, 2015	Year Ended February 28, 2015
<b>Opening liability balance</b>	\$ 5,176,594	\$ -
Issuance of secured notes	-	5,415,000
Transaction costs	-	(30,000)
Equity component of secured notes	-	(290,950)
Accretion of discount on secured notes	79,420	82,544
<b>Ending liability balance</b>	\$ 5,256,014	\$ 5,176,594

During the three months ended May 31, 2015, the Company accrued a total of \$166,060 (May 31, 2014 - \$Nil) in interest related to the Notes and recorded interest accretion of \$79,420 (May 31, 2014 - \$Nil).

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### 9. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of business and are measured at the exchange amount which is the amount of consideration established by and agreed to by the related parties. Related party transactions not disclosed elsewhere in these condensed consolidated interim financial statements are as follows:

a) During the three months ended May 31, 2015, the Company accrued \$25,000 of consulting fees payable to a Corporation owned by a director, which are included in accounts payable and accrued liabilities.

b) During the three months ended May 31, 2015, the Company accrued \$8,280 of interest (2014 - \$Nil) on \$270,000 aggregate principal amount Notes issued to certain directors and officers of the Company on November 24, 2014 (see note 8). The accrued interest is included in accounts payable and accrued liabilities.

c) During the three months ended May 31, 2015, the Company accrued \$92,000 of interest (2014 - \$Nil) on \$3,000,000 aggregate principal amount Notes issued to Pinetree on November 6, 2014 (see note 8). The accrued interest is included in accounts payable and accrued liabilities.

### 10. COMMITMENTS

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

	Minimum lease payments	Taxes, Maintenance, and Insurance (estimated)	Total estimated commitment
Less than one year	\$ 373,736	\$ 495,958	\$ 869,694
Between one and five years	1,315,209	1,635,357	2,950,566
More than five years	1,067,847	1,231,164	2,299,011
	<b>\$ 2,756,792</b>	<b>\$ 3,362,479</b>	<b>\$ 6,119,271</b>

### 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### (a) Fair Values

The carrying value of cash, accounts receivable, other receivables, and accounts payable and accrued liabilities approximate fair values due to the short-term maturities of these instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists. The fair value of the secured notes approximates their carrying amounts as they bear terms similar to that of comparable instruments.



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

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

The Company follows a three-tier categorization for its financial instruments as a framework for disclosing fair value based upon inputs used to value the Company's investments. The hierarchy is summarized as:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
- Level 3 – inputs for assets and liabilities not based upon observable market data

As at May 31, 2015, and February 28, 2015, cash was carried at Level 1 in the fair value hierarchy.

#### (b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk is primarily related to the Company's interest bearing debts on its condensed consolidated interim statement of financial position. The secured notes bear interest at a fixed rate of 12%, and as such, are not subject to cash flow interest rate risk resulting from market fluctuations thereby minimizing the Company's exposure to cash flow interest rate risk.

#### (c) Foreign Currency Risk

The Company is subject to foreign exchange rate risk as it enters into transactions denominated in currencies other than the Company's functional currency, which is the Canadian dollar. The maximum exposure to foreign currency risk is equal to amounts held in foreign currencies at the Statement of Financial Position date. As at May 31, 2015, the Company carried net current liabilities of CDN\$465,398 in USD\$ (February 28, 2015 - net current assets of CDN\$90,820 in USD\$). Accordingly, a 5% change in the US dollar exchange rate as at May 31, 2015 would have resulted in an exchange gain or loss of CDN\$23,270 (February 28, 2015 - exchange gain or loss of CDN\$4,541).

#### (d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 11(f) to the condensed consolidated interim financial statements. The Company has minimal income from operations and relies on equity and debt funding to support its development and corporate activities. Should the need for further equity or debt funding arise, there is a risk that the Company may not be able to sell new common shares at an acceptable price or debt instruments at an acceptable interest rate level.

Accounts payable and accrued liabilities, current portion of finance lease obligations, and secured notes are due within the current operating period. As at May 31, 2015, the Company had total cash of \$977,099 (February 28, 2015 - \$1,754,838) to settle current liabilities of \$8,100,370 (February 28, 2015 - \$6,970,538) and finance future operations. As a result, the Company is exposed to liquidity risk.

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

#### (e) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash, accounts receivable, and other receivables. The majority of the Company's cash is on deposit with a Canadian Tier 1 chartered bank. Other receivables include input tax credits related to GST/HST filings which were collected subsequent to May 31, 2015. Accounts receivable are in the normal course of business with established entities and no material amount relates to any one specific entity. As a result, the Company's exposure to credit risk is minimal.

#### (f) Capital Management

The Company considers its capital to be its equity attributable to shareholders', which is comprised of share capital, contributed surplus, warrants reserve, and deficit, which as at May 31, 2015, amounted to a capital deficiency of \$5,300,163 (February 28, 2015 - capital deficiency of \$1,759,504).

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the research and development of its social media app for the benefit of its shareholders.

There were no changes in the Company's management of its capital during the three months ended May 31, 2015. The Company is not subject to any externally imposed capital requirements.

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

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## **12. SUBSEQUENT EVENTS**

The following significant transactions occurred subsequent to the three months ended May 31, 2015:

- a) On July 9, 2015, the Company completed a non-brokered private placement of 1,000,000 units at a price of \$0.25 per unit for aggregate gross proceeds of \$250,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.40 per share for a period of 3 years from the closing date. Pursuant to this private placement, the subscriber received an anti-dilution right. The anti-dilution right provides that should the Company issue any additional common shares at a price of less than \$0.25 per share within 12 months of the closing of the private placement, the subscriber will receive an additional number of common shares at no cost, calculated to be the difference in the total number of shares the subscriber would have received had they originally subscribed at the lower price.
- b) On June 12, 2015, Kik Interactive Inc. served the Company with a trademark infringement lawsuit in the United States District Court for the Southern District of New York. The two trademarks at issue, "KEEK" and "KIK", have coexisted for several years in the U.S and elsewhere, and both parties own U.S. Trademark Registrations for their respective marks. Kik alleges in its court filings that the two trademarks are now confusingly similar. Management is of the opinion that the claim is without merit and has filed a statement of defence. As such, the Company has not made accruals or established a contingent liability in these consolidated financial statements in relation to the lawsuit.
- c) Subsequent to the three months ended May 31, 2015, 505,496 options with a weighted average exercise price of \$5.20 expired unexercised.