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**(Formerly Primary Petroleum Corporation)**

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## Keek Inc.

(Formerly Primary Petroleum Corporation)

### Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months ended May 31, 2015

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The following Management's Discussion and Analysis ("MD&A") comments on the unaudited consolidated financial condition and results of operations of Keek Inc. for the three months ended May 31, 2015. All data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

The information contained herein should be read in conjunction with Keek's unaudited condensed consolidated interim financial statements for the three months ended May 31, 2015, (the "financial statements"), and Keek's annual audited consolidated financial statements for the year ended February 28, 2015.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), using International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The Company has consistently applied the same accounting policies and methods of computation as were followed in the preparation of the annual audited consolidated financial statements of Keek for the year ended February 28, 2015.

Unless the context otherwise requires, all references to "Keek", "Corporation", "Company", "our", "us", and "we" refers to Keek Inc. as consolidated with its subsidiaries. Additional information regarding the Company is available at SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A is dated July 30, 2015. All amounts are presented in Canadian dollars, unless otherwise noted.

#### **Advisory Regarding Forward-Looking Statements**

This MD&A contains forward-looking statements. When used in this MD&A the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among others things, our objectives, goals, strategies, intentions, plans, estimates, outlook, expected growth and business opportunities. Although Keek believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, including without limitation, factors and assumptions regarding advertising revenues, operating costs and tariffs, taxes and fees, changes in market competition, governmental or regulatory developments, changes in tax legislation and general economic conditions. Actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: Keek's ability to attract and retain users and increase the level of engagement of its users; Keek's expectations regarding its user growth rate and the usage of its web and mobile products; Keek's ability to attract advertisers and the revenue derived from these advertisers; Keek's ability to create and grow user monetization; the sufficiency of Keek's cash and cash generated from operations to meet its working capital and capital expenditure requirements; and changes in accounting standards.

Keek cautions you that the foregoing list may not contain all of the forward-looking statements made in this document. Keek's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits that Keek

will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. When relying upon our forward-looking statements to make decisions with respect to Keek, investors and other should carefully consider the foregoing factors and other uncertainties and potential events. All subsequent forward-looking statements, whether written or oral, attributable to Keek or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as at the date of this document and Keek does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

## **GOING CONCERN ASSUMPTION**

While this MD&A and the financial statements have been prepared in accordance with 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. This MD&A does 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.

## **ABOUT KEEK**

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" and on the OTCQX under the symbol "KEEF". 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, the financial statements and this MD&A 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.

The financial statements and this MD&A 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.

## **OVERVIEW**

Keek's business is the developing of an online social video platform for both web and mobile with an emphasis on mobile which allows users to upload and share personal videos of themselves or events surrounding them, their "self-expression". Keek has developed a global video social network, enabled over the Internet and on mobile devices around the world. Keek's interactive video content network contains videos with up to 36 seconds of video and 111 characters of accompanying text. Since inception, Keek's community has grown to over 74 million registered users across 6 global regions; "North America", "South America", "Europe", "Middle East", "Asia/Oceania", and "Africa".

The Company's current business is the maintenance and development of the online platform with focus on continued user growth through product innovation, enhanced user experience, content generation, user engagement and monetization which include plans of advertising, in app purchase, affiliate, and gamification driven revenue. Monetization has started with an initial ad model and will continue to occur through different forms of advertising and digital products that appeal to Keek's audiences. Keek will advance this model with focus on the highest yield products of directly sold custom programs and innovate around native video and other branded interactive entertainment. The initial in-app monetization strategy includes non-advertising potential micro-purchases that enrich the user experience and heightens user engagement. The gamification strategy revolves around Keek Social Trivia ("KST"), a trivia-based contest which will run on top of the existing Keek platforms and will target audience aggregation and activation. KST will provide unique advertising revenue opportunities largely through innovative branded content.

## **Overview of the Business and Operational Highlights**

### ***Analytic Results***

The Company halted marketing efforts in April 2015. The pause of marketing activities had a negative impact on user registration and unique visitor levels. Today Keek has over 74 million registered users, with 550,000 being added during the three months ended May 31, 2015. During the three months ended May 31, 2015, Keek saw an average of approximately 5 million monthly unique visitors across Keek platforms, including visitors from web and mobile trial campaigns. Until such time as funds can be raised to resume marketing efforts, or significant product advancements can be achieved, Management expects registration levels and monthly unique visitor levels to continue to decrease.

The lower registration and unique visitor levels have had a less than expected impact on interaction and engagement rates on the platform. Other analytical results include an increase in each of the following key points of interest in Q1 2016 as compared to Q4 2015:

- Keeks created
- Keeks viewed
- Keekbacks
- Private video messages
- Average mobile session time, which peaked at an all-time high of 9.6 minutes in May 2015

### **Product**

The development team at Keek successfully unveiled a number of product advancements during the three months ended May 31, 2015, including:

- ❖ “Keek for Messenger” – an independent app for iOS and Android, created in partnership with Facebook Inc.
- ❖ Keek for Windows Universal
- ❖ Messenger for Web 3.0
- ❖ Video stitching capability (Keek for iOS and Keek for Messenger)
- ❖ “Keek 3.0” for Android (subsequent to May 31, 2015)

### **Keek for Messenger**

Keek for Messenger (“KFM”) is a Keek proprietary app which operates independently of the Keek platforms. KFM is a companion app to Facebook’s *Messenger* (“FM”) app, allowing FM users to send Keeks directly to their Facebook contacts inside the FM environment. Keek was invited to develop the app by Facebook in Q4 2015, and was featured as part of the FM platform launch at F8, Facebook’s annual global developer conference held in San Francisco on March 25, 2015. Keek continues to collaborate with the engineering teams at Facebook to advance KFM.

### **Sales**

Keek is monetizing the platform initially through passive ad serving. Keek has only begun to monetize a fraction of the global monthly impressions available to advertisers. The term “impression” in the context of online advertising refers to a measure of the number of times an ad is seen by a user. Clicking on the ad or not is not taken into account. Each time an ad displays it is counted as one impression.

Keek’s advertising model is in its initial phase which includes direct sales, ad network and programmatic selling (the buying and selling of digital ad space online and on mobile devices using technology), which includes the ability for real time bidding by advertisers on exchanges. The term “real-time bidding” refers to the means by which ad inventory is bought and sold on a per-impression basis, via programmatic instantaneous auction, similar to financial markets. With real-time bidding, advertising buyers bid on an impression and, if the bid is won, the buyer’s ad is instantly displayed on the publisher’s site. Keek is in the very early stages and to date the largest effort has been against managing ad operations, adjusting pricing floors, monitoring user feedback on different ad products, while working with ad serving partners, and building internal ad operations functions to ensure the management and quality of campaigns through open market channels.

Specifically in the Middle East, sales have grown and initial advertising programs have been successful resulting in repeat business. In Q1 2016, advertising sales increased as compared to Q4 2015 despite the elimination of the sales teams outside of the Middle East region. Sales continue to fall below expectation due to the ad network and programmatic channels failing to reach “rate card” pricing, however measures to improve the pricing levels have

shown a positive effect, as higher pricing floors contributed to the increase in Q1 2016 revenues as compared to Q4 2015. Advertising campaigns sold through the direct sales channel have met “rate card” expectations. The term “rate card” refers to the internally projected pricing floors which are based on a number of variables, including the type of ad unit, the method of sale, and the geographic location of the sale.

Based on our current revenue models and considering the results of the initial advertising efforts, Keek has decided to limit direct sales to the Middle East region and has now eliminated the North American and European sales teams. For the foreseeable future, direct sales in North America and Europe will be done on a purely commission basis with advertising consultants, however ad network and programmatic selling continues in all regions of the world. The Middle East sales team, while still directly engaged with Keek, is also being moved to a commission-only basis.

Keek has determined that the initial ad network and programmatic channels are insufficient in order to capitalize on the significant volume of global ad unit impressions available on a monthly basis. Therefore, a focus will be placed on integrating programmatic channels with the ability to serve engaging and interactive ad units which can meet rate card expectations. In addition, Keek has begun to terminate certain ad networks who fail to meet rate card expectations, and has implemented higher global pricing floors across all programmatic channels and ad networks regardless of the impact on volume to the individual channels or networks.

In order to build advertising revenues to a level which can provide significant operational cash flows, significant improvements must be made through innovation and optimization in relation to the programmatic selling. The first step in this was the implementation of strict global pricing floors, as described above. In addition, Keek management believes this can be accomplished through partnering with strategic partners/investors with expertise in digital advertising, through the integration of further ad networks and programmatic channels to further increase competition surrounding Keek’s ad units, and through connecting the ad impression space with innovative monetization strategies which extend beyond ad units (such as in-app purchases which place user content into slots previously reserved for external advertisers and branded content inside a gamified environment).

## **MARKET TRENDS, PRODUCT DEVELOPMENT, AND BUSINESS STRATEGY**

Keek has developed a global platform for public self-expression and communication in real time; however, the market for its products and services is relatively new and may not develop as expected. The Keek platform and community is a free service. Having demonstrated since inception through its over 74 million registered users that a global video-centric social network can attract audiences, the next milestone for Keek is to confirm that this community can sustain itself from a relevance, enhanced value creation and monetization perspective. Keek management is of the belief that sustainability and growth must come from a product-first approach, and therefore the Company plans to focus its attention towards the development of KeekX, Keek Live, and Keek Social Trivia.

Keek’s short term future intent is to continue to enhance the user experience, empower the audience with tools/features that deliver an ever evolving Keek journey and community, while simultaneously pursuing streamlined operations with a focus on reducing expenditures. In addition, Keek will continue to pursue advertising revenue by monetizing the ad impression base in its key region of the Middle East and seeking other more innovative monetization strategies which are complementary to the product developments. Keek is in the very early stages of its monetization model and is also responsive to user behavior information. Ultimately the monetization model must complement the development strategy.

### **Product Development**

New features are prioritized, developed and implemented based on innovation, user feedback, build requirements and timeline, competitive pressures, organizational goals and market trends. Keek also stays up-to-date on the latest mobile and smartphone devices to ensure that, whatever the device, Keek is at its community’s fingertips.

**Keek Live**

*Keek Live* will allow users to live broadcast video feeds from their mobile phone as well as “clip” various “highlights” up to 36 seconds each throughout the live stream to archive and share on the Keek platform. *Keek Live* will be tightly integrated with Keek's own social graph of over 74 million members, as well as allow notifications to be shared across other major social networks such as Facebook and Twitter. *Keek Live* will also include additional features in real time with the live stream, and 24/7 channels for professional broadcasters and content creators.

Live streaming in a social media context is a new phenomenon which has garnered significant market attention in the first few months of calendar 2015. In March 2015, it was announced that Twitter had acquired Periscope, a live streaming video startup app which was still in the testing stage, for nearly \$100 million USD in cash and shares. Also during March 2015, Meerkat, another live streaming video startup with 100,000 users at the time, announced it had raised \$14 million USD as part of a financing round. *Keek Live* will allow Keek to enter the livestream market, and will have the added functionality and advantage of being interwoven into a pre-existing social media network. On release, *Keek Live* will immediately be available to 74 million registered users on Keek. Currently, *Keek Live* is scheduled to be released in late fall 2015. There was no change to the anticipated release date of *Keek Live* in Q1 2016.

**KeekX**

KeekX is a completely new app design and user interface targeted for release in late calendar 2015. The Keek X plan includes a new “Decks and Cards” navigation interface that allows for better categorization and infinite customization possibilities, allowing for deeper engagement. When opening KeekX, users will immediately come across their own custom video feeds, being a collection of the latest videos from a user's preferred celebrities, friends and brands that a user follows, and news updates. KeekX also introduces the “discover” button to Keek, which brings up a content discovery interface which algorithmically and editorially provides custom recommendations of the best Keek content and activities to the user.

KeekX will also include innovative editing features such as video stitching (a feature already available on certain Keek platforms), audio overlay, filtering, and more. In addition to these core editing features, KeekX is planned to offer a number of in-app micro-purchase options to provide advance video editing tools at the touch of a finger. Many of Keek's most popular and active content creators have been observed to be using third party paid apps to produce edited content which is then posted to Keek. Keek Management is of the belief that providing these tools inside the Keek app will not only provide a more convenient streamlined user experience, but will also heighten user engagement and provide a potential revenue stream. There was no change to the anticipated release date of KeekX in Q1 2016.

**Keek Social Trivia**

Keek Social Trivia (“KST”), like KeekX, brings a completely new user experience and monetization approach to the Keek platforms. KST is a gamified approach to audience aggregation and activation which combines trivia themed contests with significant prize based financial incentives, branded content, and the involvement of charitable organizations. KST is targeted for release in November 2015.

KST is being developed and managed as a separate, self-funding division within the Company. The KST management team brought the initial funding of \$250,000 to the Company by means of a Private Placement in July 2015 in order to commence the development of KST. Management plans to provide additional information regarding KST in the coming months.

### **Significant Reduction of Expenditures**

In adjusting to the current business strategy which focuses on the development of Keek Live, KeekX, and KST, while streamlining operations and reducing expenses, the Company took significant measures to reduce monthly costs in April 2015. As a result, cash expenditures are expected to be maintained at approximately \$300,000 per month. This was accomplished mainly through the following:

- ❖ Significant reductions in sales, marketing, administrative, technological, and development staff
- ❖ The cessation of significant marketing programs which were not meeting management's performance expectations
- ❖ The shifting of global sales forces to commission only remuneration
- ❖ The closure and salvaging of 3 secondary international data centers
- ❖ Significant renegotiations with various vendors
- ❖ The closure of the New York office

The Company will continue to streamline and consolidate its operational capacity to further reduce ongoing operational costs.

The Company currently has 10 employees, a reduction from approximately 50 employees as at February 28, 2015. Currently, Keek is operating on a \$300,000 per month budget which only allows for the upkeep of the platform, the continuation of financial and corporate activities which are significantly focused towards financing efforts, and targeted development projects in key areas as described above.

The Company will maintain this reduced operating budget until financing can be obtained. All marketing efforts directed at maintaining and growing the user base and user engagement levels have been virtually eliminated under this reduced operating budget. As a result, management expects the new registration and unique visitor levels to continue to decline until such time as marketing initiatives can be reinstated through the availability of funds.

### **OVERALL PERFORMANCE**

#### ***Summary of Financial and Operating Results***

#### **Three Months Ended May 31, 2015 and 2014**

During the three months ended May 31, 2015, Keek reported a total of \$101,849 in advertising revenue as compared to \$Nil for the three months ended May 31, 2014. The advertising revenue was sourced through direct sales, ad networks, and programmatic channels, all of which were successfully implemented and generating revenue by May 31, 2015. Activations of the three channels to date, by platform, are as follows:



Date	Channel(s) - Event(s)	Platform(s)
August 19, 2014	Direct Sales – First Advertising Revenue	All Platforms
September 29, 2014	Programmatic – 1 Exchange Activated	Web (banners and skyscrapers only)
October 20, 2014	Programmatic – 1 Exchange Activated	Android
October 23, 2014	Programmatic – 1 Exchange Activated	iOS
October 23, 2014	Ad Networks – 1 Network Activated	iOS
November 4, 2014	Ad Networks – 2 Networks Activated	Android
November 17, 2014	Direct Sales – First Sales Team Hire	All Platforms
November 20, 2014	Ad Networks – 1 Network Activated	Web (banners and skyscrapers only)
January 19, 2015	Programmatic – 1 Exchange Activated	iOS (banners only)
January 26, 2015	Direct Sales – First Direct Sale in the USA	Mobile Platforms
January 30, 2015	Programmatic – 1 Exchange Activated	iOS (interstitials only)
February 26, 2015	Ad Units – 1 Ad Unit Activated	Web (300x250)
March 9, 2015	Direct Sales – First Direct Sale in Canada	All Platforms
May 27, 2015	Ad Units – 2 Ad Units Activated	Mobile Web (468x60 and 350x50)
July 9, 2015	Programmatic – 1 Exchange Activated	Android

Additional activations are expected to occur throughout the remainder of 2016. In addition, under performing channels are expected to be terminated.

For the three months ended May 31, 2015, Keek generated interest income in the amount of \$346 as compared to \$42,567 for the three months ended May 31, 2014. The interest income was derived from cash on hand which is invested in daily interest bearing accounts.

Selected financial information for the Company for the indicated periods is provided below:

	Three Months Ended May 31,	
	2015	2014
	\$	\$
Revenue	101,849	Nil
Interest income	346	42,567
Gain on settlement of debts	Nil	135,670
Operating expenses	3,853,576	4,433,93
Net loss from continuing operations	4,001,873	4,283,128
Net loss from discontinued operations	Nil	130,681
Net loss for the period	4,001,873	4,283,128
Comprehensive loss for the period	4,001,873	4,413,809
Net loss per share – basic and diluted	0.35	0.40
Net loss per share from discontinued operations – basic and diluted	N/A	0.01

Operating expenses for the three months ended May 31, 2015, were \$4,001,873, a decrease from \$4,283,128 for the three months ended May 31, 2014. The decrease of \$281,255 was mainly due to a reduction in operating expenses which was offset by an increase in interest and accretion expenses. In the prior year and until April 2015, operating expenses were focused to fund the expansion of user growth through product development, content enhancement initiatives, marketing and branding, user engagement, enhanced value creation, and to implement monetization capabilities. In April 2015 operating expenses were shifted to focus on product maintenance and strategic direction.

The following is the breakdown of operating expenses for the three months ended May 31, 2015 and 2014. Details of the changes between periods are described in the notes to the table below.

**Summary of Operating Expenses**

	Three Months Ended May 31, 2015 \$	Three Months Ended May 31, 2014 \$
Salaries and benefits (a)	1,323,680	1,487,444
Advertising and marketing (b)	670,324	473,443
Consulting fees (c)	539,272	731,581
Internet and communications (d)	426,102	498,334
Office and general (e)	157,293	241,668
Occupancy costs (f)	127,801	156,706
Professional fees (g)	68,035	130,637
Translation and software licensing (h)	25,202	72,175
Foreign exchange loss (i)	12,119	115,091
Amortization (j)	503,748	526,858
	<b>3,853,576</b>	<b>4,433,937</b>

**Notes:**

- (a) Salaries and benefits costs decreased by \$163,764 as compared to the three months ended May 31, 2014. Included in salaries and benefits is \$461,214 relating to share-based compensation for the three months ended May 31, 2015, as compared to \$586,866 for the three months ended May 31, 2014. While salaries and benefits were otherwise similar between the two periods, the Company made significant reductions in staffing levels in April 2015, and as such, a significant portion of the current salaries and benefits expense was incurred in the first half of the three months ended May 31, 2015.
- (b) Advertising and marketing costs increased by \$196,881 as compared to the three months ended May 31, 2014. The increase was attributed to an increase in expenditures related to digital marketing programs as well as an increase in share based payments. Included in marketing and advertisement expenditures is \$154,042 relating to share-based compensation for the three months ended May 31, 2015, as compared to \$38,114 for the three months ended May 31, 2014 with respect to options granted to consultants and influencers in the partner program. Marketing efforts were virtually eliminated by the end of April 2015.
- (c) Consulting fees decreased by \$192,309 as compared to the three months ended May 31, 2014. The decrease relates to the disengagement of a product development partner in 2015, which was offset by the engagement of a number of partners for the development of branding and positioning, public relations, and investor relations, as well as the use of consulting arrangements to provide overseas regional management and sales teams. Many of the arrangements included in the current period were terminated in April 2015, and as such, a significant portion of consulting fees were incurred in the first half of the three months ended May 31, 2015.
- (d) Internet and communications decreased by \$72,232 as compared to the three months ended May 31, 2014. The decrease is attributable to lower costs associated with Keek's international data co-locations and global content distribution network activities as a result of management sourcing different suppliers and obtaining better pricing with existing suppliers.
- (e) Office and general expenses decreased by \$84,375 as compared to the three months ended May 31, 2014. The decrease is mainly due to a reduction in recruitment costs, miscellaneous expenses, and office related expenses, which were offset by an increase in travel, transportation, and meals. The breakdown of office and general expenses is as follows:

**Summary of office and general expenses**

	Three Months Ended May 31, 2015 \$	Three Months Ended May 31, 2014 \$
Travel, transportation, and meals	89,053	51,034
Recruiting	24,000	90,000
Insurance	12,446	16,001
Office supplies	5,289	23,414
Transfer agent and exchange fees	4,944	12,186
Miscellaneous	14,896	44,138
Repairs and maintenance	1,478	560
Bank charges	1,947	2,948
Shipping and moving	1,259	653
Payroll	1,980	735
	<b>157,293</b>	<b>241,668</b>

- (f) Occupancy costs decreased by \$28,905 as compared to the three months ended May 31, 2014. The decrease was significantly due to the Company moving into a smaller operating space in Q4 2015.
- (g) Professional fees decreased by \$62,602 as compared to the three months ended May 31, 2014. The decrease is attributable to decreased audit, accounting and legal fees incurred as a result of the Company performing more of the accounting and ongoing reporting issuer obligations internally. In addition, the three months ended May 31, 2014, includes expenses incurred as part of the closing of the Transaction with Primary.
- (h) Translation and software expenses decreased by \$46,973 as compared to the three months ended May 31, 2014. This expense relates primarily to services for language translation of Keek's digital content, required to maintain the Keek platforms in their 36 operating languages. It also includes software expenses which do not meet the criteria for capitalization, such as monthly or annually licensed software. A decreased number of app releases during the three months ended May 31, 2015, caused a decrease in the need for translation services.
- (i) Foreign exchange loss decreased by \$102,972 as compared to the three months ended May 31, 2014. The Company has significantly reduced the number of transactions in US dollars which has reduced exchange gains and losses due to fluctuations in exchange rates.
- (j) Amortization decreased by \$23,110 as compared to the three months ended May 31, 2014. The Company uses the straight line method of amortization which expenses the cost of property and equipment evenly over the expected useful life. Certain items of property and equipment reached their expected useful life and certain items were disposed of or written-off of during fiscal 2015 which caused a reduction in amortization expense period-over-period. The reduction was offset by the purchase of some additional property and equipment during fiscal 2015 and Q1 2016, mainly servers and computers. There were \$28,379 in additions to property and equipment for the three months ended May 31, 2015, and \$227,254 in additions for the year ended February 28, 2015. There were disposals and write-downs of \$505,462 of property and equipment for the year ended February 28, 2015.

Interest and accretion expense was \$250,492 for the three months ended May 31, 2015 as compared to \$27,428 for the three months ended May 31, 2014. The increase in interest expense as compared to the three months ended May 31, 2014, relates significantly to interest accruals and accretion on \$5,415,000 principal amounts of secured notes issued during the 2015 fiscal year which remain outstanding. The Company accrued a total of \$166,060 in interest and recorded \$79,240 in interest accretion related to the secured notes for the three months ended May

31, 2015 (May 31, 2014 - \$Nil and \$Nil). Interest expense for the three months ended May 31, 2014, is primarily attributable to the issuance of convertible debentures during fiscal 2014 which were converted and amended on March 5<sup>th</sup>, 2014, upon the closing of the Transaction with Primary.

#### QUARTERLY RESULTS OF OPERATIONS

The following table highlights selected financial information for the eight consecutive quarters ending May 31, 2015. The Company expects its operating results to vary significantly from quarter to quarter and therefore they should not be relied upon to predict future performance.

	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	101,849	62,732	105,852	23,992	-	-	-	-
Interest income	346	3,076	787	2,297	42,567	Nil	661	5,737
Operating expenses	3,853,576	6,407,860	5,375,877	4,517,494	4,433,937	6,223,807	4,270,908	6,660,235
Net loss from continuing operations	(4,001,873)	(6,572,802)	(5,319,181)	(4,351,652)	(4,283,128)	(6,274,602)	(4,343,123)	(6,679,596)
Net loss for the period	(4,001,873)	(6,785,906)	(5,363,501)	(4,200,863)	(4,413,809)	(6,274,602)	(4,343,123)	(6,679,596)
Loss per share - basic	(0.35)	(0.62)	(0.47)	(0.38)	(0.40)	(5.38)	(3.72)	(5.73)
- diluted	(0.35)	(0.62)	(0.47)	(0.38)	(0.40)	(5.38)	(3.72)	(5.73)

Operating expenses represent substantially all of the net losses from continuing operations through the previous eight quarters.

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

##### Cash Flow for the Three Months Ended May 31, 2015 and 2014

Net cash used in operating activities was \$746,972 for the three months ended May 31, 2015 as compared to net cash used in operating activities of \$3,670,693 for the three months ended May 31, 2014. Keek collected \$782,703 of other receivables and \$337,500 of investment tax credits receivable and had an increase in accounts payable and accrued liabilities of \$1,052,801 during the three months ended May 31, 2015, which together helped offset the net loss for the period which was \$2,957,491 after considering items not affecting cash.

For the three months ended May 31, 2015, net cash used in financing activities was \$2,388 as compared to net cash generated from financing activities of \$12,198,174 for the three months ended May 31, 2014. The decrease relates directly to the Transaction with Primary in the comparative period which resulted in Keek acquiring \$12,812,044 in cash and cash equivalents in March 2014. Financing activities included the repayment of finance lease obligations in the amount of \$2,388 for the three months ended May 31, 2015, (May 31, 2014 – \$614,870) which relates to the financing of computer equipment and servers.

For the three months ended May 31, 2015, net cash used in investing activities was \$28,379 as compared to \$41,412 for the three months ended May 31, 2014. For both periods, the cash used in investing activities related solely to the additions of property and equipment, which was mainly the purchase of additional servers and computers which were necessary for the upkeep of Keek's social video platform.

For the three months ended May 31, 2015, Keek had a net decrease in cash of \$777,739 as compared to a net increase of \$8,486,069 for the three months ended May 31, 2014. As a result, as at May 31, 2015 and 2014, Keek had cash balances of \$977,099 and \$8,940,545 respectively.

## Liquidity

During the three months ended May 31, 2015, Keek reported a total of \$101,849 in advertising revenue, as compared to \$Nil for the three months ended May 31, 2014. Keek has and will continue to rely upon capital raising activities, such as private placement debt and equity financings, to fund its operations and growth.

Selected financial information about the Company's financial position as at the indicated dates is provided below:

	May 31, 2015	February 28, 2015
	\$	\$
Cash	977,099	1,754,838
Total assets	2,800,207	5,211,034
Long term liabilities	-	-
Total liabilities	8,100,370	6,970,538
Share capital, contributed surplus, and warrants reserve	62,901,220	62,440,006
Deficit	(68,201,383)	(64,199,510)
Working capital (deficiency)	(5,300,163)	(3,696,684)

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. Keek has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations. Management has been able to raise sufficient funds to finance its operations in the past and will need to continue to do so to fund operations in the future.

As at May 31, 2015, total liabilities increased to \$8,100,370 as compared to \$6,970,538 as at February 28, 2015, an increase of \$1,129,832. The increase was primarily due to an increase in accounts payable and accrued liabilities of \$1,052,801. Due to the shortage of cash flow, the Company is not currently paying most of its past payables but is paying its ongoing monthly operational costs.

Management is heavily engaged in the raising of additional financing and the establishment of significant strategic partnerships to secure Keek's operations until such time as sustainable monetization solutions are in place.

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 in order to fund the initial development of KST. 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.

Apart from the funding to initiate KST, since closing the final tranche of the secured notes in February 2015, the Company has been unsuccessful in its continuing financing efforts. However, talks are continuing for both strategic partnerships/investors and private placement offerings. At the current operating budget of \$300,000 per month, the

Company estimates it will have enough funds to operate until October 2015 without any additional financing. The Company will need to have a financing solution in place by that time in order to continue operating as a going concern.

### Commitments

As at May 31, 2015, Keek had material commitments for cash resources of approximately \$15,028,430 which are detailed below. Keek does not currently have sufficient working capital to meet these significant commitments and will be reliant on proceeds from financing activities, subleasing revenue, and any advertising revenue to fund these commitments. There is no guarantee the Company will be able to obtain the necessary financing to meet its financial commitments and ongoing operational costs.

A breakdown of Keek's liabilities and obligations as at May 31, 2015, is as follows:

Liabilities and obligations	Payments due by period \$				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Accounts payable and accrued liabilities	2,841,963	2,841,963	-	-	-
Finance lease obligations	2,393	2,393	-	-	-
Interest on finance leases	4	4	-	-	-
Secured notes (principal amount)	5,415,000	5,415,000	-	-	-
Interest on secured notes	649,800	649,800	-	-	-
Lease commitments (operating premises)	6,119,270	869,694	2,047,382	903,183	2,299,011
	15,028,430	9,778,854	2,047,382	903,183	2,299,011

Of the \$6,064,800 aggregate principal amounts and interest on secured notes, \$5,784,800 comes due in November 2015, and \$280,000 comes due in February 2016. Should the Company fail to raise additional funds through its financing efforts, it will be unable to meet these financial obligations. In the case of an inability to make payments on the secured notes, the Company may seek to amend the terms of the secured notes through renegotiations with the secured note holders. In this scenario, should the Company and the secured note holders be unable to renegotiate the terms of the secured notes, the secured note holders would have the right to exercise their security against all assets of the Company.

On December 1, 2014, the Company leased its premises at 1 Eglinton Avenue East, Suite 300, in Toronto, Ontario. The sublease has a term of forty-four months ending on July 30, 2018, with an option to extend the sublease until November 30, 2023, at the option of the subtenant. This sublease reduces the monthly lease obligations by the Company by approximately \$50,000 per month.

On December 1, 2014, the Company leased a new operating premises at 1 Eglinton Avenue East, Suites 401 & 416, in Toronto, Ontario. The lease has a term of thirty-seven months ending on December 30, 2017. The annual lease costs for the term of the lease (including minimum lease payments and estimated taxes, maintenance, and insurance payments) are: 2016 - \$247,808, 2017 - \$251,487, and 2018 - \$212,127.

Under the terms of the new lease and sublease above, the estimated net cash savings over the 37-month period to the Company is expected to be approximately \$985,000.

### Legal Proceedings

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 the financial statements.

### Management of Capital

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.

The payment of cash dividends does not form part of the Company's current capital management program and, to date, Keek has not declared any cash dividends on the Company's common shares.

### Capital Transactions

There were no capital transactions during the three months ended May 31, 2015.

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.

### Disclosure of Outstanding Share Data

The Company had the following shares and securities convertible into shares outstanding at the following dates:

	July 30, 2015	May 31, 2015	February 28, 2015
Common Shares	12,455,216	11,455,216	11,455,216
Preference Shares	-	-	-
Warrants, convertible into Common Shares	1,180,498	180,498	180,498
Stock Options, convertible into Common Shares	1,514,385	2,019,881	2,074,711
<b>Common Shares - Fully Diluted</b>	<b>15,150,099</b>	<b>13,655,595</b>	<b>13,710,425</b>

See "Notes to the Condensed Consolidated Interim Financial Statements for the Three Months Ended May 31, 2015 – Note 6".

**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 MD&A 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. 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. The accrued interest is included in accounts payable and accrued liabilities.

**OFF-BALANCE SHEET ARRANGEMENTS**

Keek does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

**INVESTOR RELATIONS**

Investor relations were performed by the Company for the three months ended May 31, 2015.

**SEGMENTED INFORMATION**

The management of Keek considers the business to have a single operating segment: the continued development and marketing of its mobile video social media network. Keek has a single reportable geographic segment, Canada, and the majority of the Company's property and equipment are located in Canada. There were no changes in the reportable segments during the three months ended May 31, 2015.

**CHANGES TO 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 this MD&A.

**Adoption of New or Amended 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**

The Company reviewed the new and revised standards and amendments that have been issued by the IASB as at the date of authorization of the financial statements, but are not yet effective, and expects that there will be no material impact on its financial statements from applying the requirements of these standards when they are adopted. The Company does not expect to adopt these new and amended standards before their effective date.



## Financial Instruments and Risk Management

### ***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.

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, cash was carried at Level 1 in the fair value hierarchy.

### ***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.

### ***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 condensed consolidated interim 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).

### ***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 financial statements for the three months ended May 31, 2015. The Company has minimal income from operations and relies on equity and debt funding to support its development and corporate activities. 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.

**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.

**Other Risks and Uncertainty**

- ❖ If Keek is unable to compete effectively for users and advertiser spend, its business and operating results will be harmed.
- ❖ Keek has incurred significant operating losses in the past, and it may not be able to achieve or subsequently maintain profitability.
- ❖ Keek has a limited operating history in a new and unproven market for its platform, which makes it difficult to evaluate its future prospects and may increase the risk that it will not be successful.
- ❖ If Keek fails to grow its user base, or if user engagement or ad engagement on its platform declines, its revenue, business and operating results may be harmed.
- ❖ Keek's products and services may contain undetected software errors, which could harm its business and operating results.
- ❖ Regulatory investigations and settlements could cause Keek to incur additional expenses or change its business practices in a manner materially adverse to its business.
- ❖ Privacy concerns relating to Keek's products and services could damage its reputation and deter current and potential users and advertisers from using Keek.
- ❖ Keek may face lawsuits or incur liability as a result of content published or made available through its products and services.
- ❖ Keek's intellectual property rights are valuable, and any inability to protect them could reduce the value of its products, services and brand.
- ❖ Keek requires additional capital to support its operations and the growth of its business, and it cannot be certain that this capital will be available on reasonable terms.

Investors should carefully consider the risks and uncertainties described above and in the financial statements. The risks and uncertainties described in Keek's financial statements and MD&A are not the only ones it faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect its business. For a more complete discussion of the risks and uncertainties which apply to Keek's business and its operating results, please see the Company's Filing Statement and other filings with Canadian securities regulatory authorities on SEDAR at [www.sedar.com](http://www.sedar.com).

**ADDITIONAL INFORMATION:**

Additional information relating to the Company including its condensed consolidated interim financial statements for the three months ended May 31, 2015, audited consolidated financial statements for the year end February 28, 2015, Filing Statement, Management Information Circular, and press releases issued by the Company, are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or at [investors.keek.com](http://investors.keek.com).