**LIVE CURRENT MEDIA INC.**

**MANAGEMENT PREPARED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**UNAUDITED**

**LIVE CURRENT MEDIA INC.**

**CONSOLIDATED BALANCE SHEETS**

**Expressed In U.S. Dollars**

**(unaudited)**

(Going Concern - See Note 1)

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **$ 214,135** | $ 283,893 |
| Accounts receivable (net of allowance for doubtful accounts of $Nil) | **3,918,729** | 425,858 |
| Prepaid expenses and deposits | **89,792** | 42,307 |
| **Total current assets** | **4,222,656** | **752,058** |
| | | |
| Property & equipment *(Note 5)* | **-** | 69,817 |
| Intangible assets | **367,971** | 603,654 |
| Goodwill | **66,692** | 66,692 |
| **Total Assets** | **$ 4,657,319** | **$ 1,492,221** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 648,431** | $ 1,569,560 |
| Severance payable | **34,957** | 34,957 |
| Due to shareholders of Auctomatic *(Note 4)* | **13,193** | 40,842 |
| Convertible notes to shareholders of Auctomatic *(Note 4)* | **-** | 361,228 |
| Current portion of notes to shareholders of Auctomatic *(Note 4)* | **3,110** | 122,137 |
| Current portion of loan payable - due to related party *(Note 12)* | **-** | 173,037 |
| **Total current liabilities** | **699,691** | **2,301,761** |
| | | |
| Deferred income tax *(Note 8)* | **94,610** | 94,610 |
| Other long-term liabilities | **-** | 17,660 |
| **Total Liabilities** | **$ 794,301** | **$ 2,414,031** |
| | | |
| **STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| Common stock *(Note 6)* | | |
| Authorized: 500,000,000 common shares, $0.001 par value | | |
| Issued and outstanding: | | |
| 37,860,500 common shares (December 31, 2012 - 37,860,500) | **29,169** | 29,169 |
| Common stock purchase warrants *(Note 6)* | **297,485** | 297,485 |
| Additional paid-in capital | **17,965,757** | 17,965,757 |
| Accumulated deficit | **(14,429,393)** | (19,214,221) |
| Total Live Current Media Inc. stockholders' equity (deficit) | **3,863,018** | **(921,810)** |
| **Total Liabilities and Stockholders' Equity** | **$ 4,657,319** | $ **1,492,221** |

Commitments and Contingency *(Notes 10 and 11)*

Subsequent Events *(Note 13)*

*See accompanying notes to consolidated financial statements*

**LIVE CURRENT MEDIA INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**Expressed In U.S. Dollars**
**(Unaudited)**

| | **Three months June 30, 2013** | Three Months June 30,2012 | **Six Months June 30, 2013** | Six Months June 30, 2012 |
|---|---|---|---|---|
| **SALES** | | | | |
| Health and beauty eCommerce | $ - | $ 884,045 | $ 98,572 | $ 1,935,536 |
| Domain name advertising | 793 | 1,339 | 1,383 | 17,729 |
| **Total Sales** | 793 | 885,384 | 99,955 | 1,953,265 |
| **COSTS OF SALES** | | | | |
| Health and beauty eCommerce | - | 717,150 | 114,395 | 1,582,360 |
| **Total Costs of Sales (excluding depreciation and amortization as shown below)** | - | 717,150 | 114,395 | 1,582,360 |
| **GROSS PROFIT** | 793 | 168,234 | (14,440) | 370,905 |
| **OPERATING EXPENSES** | | | | |
| Amortization and depreciation | - | 12,158 | - | 24,315 |
| Amortization of website development costs *(Note 5)* | - | 2,582 | - | 6,820 |
| General and administrative | 289,137 | 88,361 | 505,331 | 195,085 |
| Management fees and employee salaries | 103,185 | 132,118 | 187,056 | 272,483 |
| Marketing | - | 62,933 | 25,316 | 128,126 |
| **Total Operating Expenses** | 392,322 | 298,152 | 717,703 | 626,829 |
| **NON-OPERATING INCOME (EXPENSES)** | | | | |
| Gain on sale of domain names | 173,165 | 19,597 | 5,256,343 | 19,597 |
| Interest expense | (52) | (13,581) | (809) | (27,942) |
| Foreign exchange gain (loss) | (5,463) | 307 | (7,174) | 68 |
| Gain (loss) on disposal of property and equipment | | | (66,548) | - |
| Gain on settlement of debt | - | | 335,162 | 12,213 |
| **Total Non-Operating Income (Expenses)** | 167,650 | 6,323 | 5,516,974 | 3,936 |
| **NET INCOME (LOSS) BEFORE TAXES** | (223,879) | (123,595) | 4,784,831 | (251,988) |
| Inocme taxes | | | - | - |
| **CONSOLIDATED NET INCOME (LOSS)** | (223,879) | (123,595) | 4,784,831 | (251,988) |
| **NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO LIVE CURRENT MEDIA INC.** | $ (223,879) | $ (123,595) | $ 4,784,831 | $ (251,988) |
| **INCOME (LOSS) PER SHARE - BASIC AND DILUTED** | | | | |
| Basic Net Income (Loss) attributable to Live Current Media Inc. common stockholders | $ (0.01) | $ (0.00) | $ 0.13 | $ (0.01) |
| Number of Common Shares Outstanding - Basic | 37,860,500 | 34,279,764 | 37,860,500 | 34,279,794 |

**LIVE CURRENT MEDIA INC.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**

**Expressed In U.S. Dollars**

| | Common stock | | Live Current Media Inc. Stockholders | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Common Stock Purchase Warrants | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity (Deficit) | Non-Controlling Interest | Total Equity (Deficit) |
| | Number of Shares | Amount | | | | | | |
| **Balance, December 31, 2011** | 31,976,180 | $ 23,285 | $ 297,485 | $ 17,676,974 | $ (18,930,937) | $ (933,193) | $ - | $ (933,190) |
| Stock-based compensation *(Note 6)* | - | - | | 451 | | 451 | | 451 |
| Private Placement of 5,884,320 units at $0.05 per s *(Note 6)* | 5,884,320 | 5,885 | - | 288,332 | | 294,216 | | 294,216 |
| Net loss and comprehensive loss | | | | | (283,287) | (283,287) | | (283,287) |
| **Balance, December 31, 2012** | 37,860,500 | $ 29,170 | $ 297,485 | $ 17,965,757 | $ (19,214,224) | $ (921,813) | $ - | $ (921,810) |
| Net Income and comprehensive income | | | | | 4,784,831 | 4,784,831 | | 4,784,831 |
| **Balance, June 30, 2013** | 37,860,500 | $ 29,170 | $ 297,485 | $ 17,965,757 | $ (14,429,393) | $ 3,863,018 | $ - | $ 3,863,021 |

**LIVE CURRENT MEDIA INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Expressed In U.S. Dollars**
**(unaudited)**

| | | Six Months Ended June 30, 2013 | | Six Months Ended June 30, 2012 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net Income (loss) for the period | $ | **4,784,831** | $ | (251,988) |
| Non-cash items included in net income (loss): | | | | |
| Loss on disposal of property and equipment | | **66,548** | | - |
| Gain from sale of domain names | | **(5,256,343)** | | (19,597) |
| Amortization and depreciation | | **-** | | 24,315 |
| Amortization of website development costs | | **-** | | 6,820 |
| Change in operating assets and liabilities: | | | | |
| Accounts receivable | | **(3,492,871)** | | (8,044) |
| Prepaid expenses and deposits | | **(47,485)** | | 5,981 |
| Inventory | | **-** | | - |
| Accounts payable and accrued liabilities | | **(921,129)** | | (106,468) |
| Other Liablibity | | **(17,660)** | | - |
| Leasehold inducements | | **-** | | (10,070) |
| Cash flows used in operating activities | | **(4,884,109)** | | (359,051) |
| **INVESTING ACTIVITIES** | | | | |
| Proceeds from sale of domain names | | 5,500,000 | | 34,000 |
| Loss on Disposal of Trademarks | | (7,976) | | - |
| Cash flows from investing activities | | **5,492,024** | | 34,000 |
| **FINANCING ACTIVITIES** | | | | |
| Increase (decrease) in convertable note to shareholders | | **(361,228)** | | 14,282 |
| Increase (decrease) in notes to shareholders | | **(119,027)** | | 4,199 |
| Increase (decrese) due to Auctomatic shareholders | | **(27,649)** | | |
| Repayment of loan from related party | | **(173,743)** | | (115,179) |
| Increase in loan from related party | | **706** | | 54,536 |
| Increase from stock based compensation | | **-** | | 451 |
| Proceeds from sale of office equipment | | **3,268** | | |
| Cash flows from financing activities | | **(677,673)** | | (41,711) |
| Net increase (decrease) in cash and cash equivalents | | **(69,758)** | | (366,762) |
| Cash and cash equivalents, beginning of period | | **283,893** | | 472,969 |
| **Cash and cash equivalents, end of period** | $ | **214,135** | $ | 106,207 |

*See accompanying notes to consolidated financial statements*

| | | | | |
|---|---|---|---|---|
| **SUPPLEMENTAL INFORMATION** | | | | |
| Cash paid during the period for: | | | | |
| Interest | $ | **11,141** | $ | 11,113 |
| Income taxes | $ | **-** | $ | - |

## NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

### Nature of business

Live Current Media Inc. (the "Company" or "Live Current") was incorporated under the laws of the State of Nevada on October 10, 1995 under the name "Troyden Corporation" and changed its name on August 21, 2000 from Troyden Corporation to "Communicate.com Inc.". On May 30, 2008, the Company changed its name from Communicate.com Inc. to Live Current Media Inc. after obtaining the shareholders' approval to do so at the annual general meeting in May 2008.

The Company's principal operating subsidiary, Domain Holdings Inc. ("DHI"), was incorporated under the laws of British Columbia on July 4, 1994 under the name "IMEDIAT Digital Creations Inc.". On April 14, 1999, IMEDIAT Digital Creations, Inc. changed its name to "Communicate.com Inc." and was redomiciled from British Columbia to the jurisdiction of Alberta. On April 5, 2002, Communicate.com Inc. changed its name to Domain Holdings Inc.

On March 13, 2008, the Company incorporated a wholly owned subsidiary in the state of Delaware, Communicate.com Delaware, Inc. On April 21, 2010, the Company changed the name of Communicate.com Delaware, Inc. to Perfume.com Inc. (Perfume Inc.). This subsidiary was incorporated in relation to the Auctomatic transaction. Refer to Note 4.

Through DHI, the Company builds consumer Internet experiences around its portfolio of domain names. DHI's current business strategy is to develop, or to seek partners to develop, its domain names to include content, commerce and community applications. DHI develops content and sells advertising services on other domains held for future development.

### Basis of presentation

The consolidated financial statements are presented in United States dollars and are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

The Company believes these consolidated financial statements reflect all adjustments (consisting only of normal, recurring adjustments) that are necessary for a fair presentation of the financial position and results of operations for the periods presented. Results of operations for the interim periods presented are not necessarily indicative of results to be expected for the year. Certain prior period amounts have been reclassified to conform to the current period presentation.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company generated a consolidated net income of $4,784,831 for the six months ending June 30, 2013 compared to a net loss of $251,988 for the six months ending June 30, 2012. At June 30, 2013, the Company has an accumulated deficit of $14,429,393 (December 31, 2012 - $19,214,221) and working capital of $3,522,965, compared to a working capital deficiency of $1,549,703 at December 31, 2012.

### Going concern

The Company's ability to continue as a going-concern is in substantial doubt as it is dependent on the continued financial support from its investors, its ability to obtain financing (whether through debt or equity), its ability to use its common stock to pay for liabilities as it has in certain instances in the past, and the attainment of profitable operations. The outcome of these matters is dependent on factors outside of the Company's control and cannot be predicted at this time.

These financial statements do not include any adjustments relating to the recoverability or classification of assets or the amounts or classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in preparation of these consolidated financial statements:

### Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiary Perfume Inc., its wholly owned subsidiary LCM Cricket Ventures, and its wholly owned subsidiary DHI. All intercompany balances and transactions are eliminated on consolidation.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Use of estimates**
The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of intangible assets, fair value measurements, related party transactions, stock based compensation, and determination and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and for the periods that the consolidated financial statements are prepared. Actual results could differ from these estimates.

**Business combinations**
On the acquisition of a subsidiary, the purchase method of accounting is used whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. The Company considers critical estimates involved in determining any amount of goodwill, and tests for impairment of such goodwill, as disclosed in its goodwill accounting policy below.

**Income (Loss) per share**
Basic income (loss) per share is computed by dividing income (loss) for the period by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share reflects the potential dilution of securities by including other potential common stock in the weighted average number of common shares outstanding for the period and is not presented where the effect is anti-dilutive. The other potential common stock includes 2,000,000 warrants as disclosed in Note 6.

**Foreign currency transactions**
The consolidated financial statements are presented in United States dollars. The functional currency of the Company is the United States dollar. In accordance with ASC 830, *Foreign Currency Matters*, the foreign currency financial statements of the Company's subsidiaries are translated into U.S. dollars. Monetary assets and liabilities are translated using the foreign exchange rate that prevailed at the balance sheet date. Revenue and expenses are translated at weighted average rates of exchange during the period and stockholders' equity accounts and certain other historical cost balances are translated by using historical exchange rates. There are no resulting exchange gains and losses that are required to be presented as cumulative foreign currency translation gains (losses) within other accumulated comprehensive loss. There was no effect to comprehensive loss related to the share conversion with DHI.

Transactions denominated in foreign currencies are remeasured at the exchange rate in effect on the respective transaction dates and gains and losses are reflected in the consolidated statements of operations.

**Comprehensive income (loss)**
Comprehensive income (loss) includes all changes in equity of the Company during a period except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss) ("OCI"). The major components included in OCI are cumulative translation adjustments arising on the translation of the financial statements of self-sustaining foreign operations and unrealized gains and losses on financial assets classified as available-for-sale. The Company has no self-sustaining foreign operations or unrealized gains or losses on financial assets classified as available-for-sale.

**Revenue recognition**
Revenues and associated costs of goods sold from the on-line sales of products, currently consisting primarily of fragrances and other beauty products, are recorded upon delivery of products and determination that collection is reasonably assured. The Company records inventory as an asset for items in transit as title does not pass until the goods are received by the customer. All associated shipping and handling costs are recorded as cost of goods sold upon delivery of products.

Web advertising revenue consists primarily of commissions earned from the referral of visitors from the Company's websites to other parties. The amount and collectability of these referral commissions is subject to uncertainty; accordingly, revenues are recognized when the amount can be determined and collectability can be reasonably assured. In accordance with FASB Accounting Standards Codification ("ASC") 605-45-45, *Revenue Recognition - Principal Agent Considerations,* the Company records web advertising revenues on a gross basis.

Gains from the sale of domain names, whose carrying values are recorded as intangible assets, consist primarily of funds earned for the transfer of rights to domain names that are currently in the Company's control. Gains are recognized when the sale agreement is signed, the price is fixed and agreed upon by all parties, and the collectability of the proceeds is reasonably assured.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gains from the sales-type leases of domain names, whose carrying values are recorded as intangible assets, consist primarily of funds earned over a period of time for the transfer of rights to domain names that are currently in the Company's control. When collectability of the proceeds on these transactions is reasonably assured, the gain on sale is accounted for as a sales-type lease in the period the transaction occurs.

### Cash and cash equivalents

The Company considers all highly liquid instruments, with original maturity dates of three months or less at the time of issuance, to be cash equivalents.

### Accounts receivable and allowance for doubtful accounts

The Company's accounts receivable balance consists primarily of amounts receivable on a sale of a domain name, goods and services taxes (GST) and harmonized sales taxes (HST) receivable, and advertising revenues receivable. Per the Company's review of open accounts and collection history, the accounts receivable balances are reasonably considered to be collectible and therefore no allowance for doubtful accounts has been reflected at June 30, 2013 or December 31, 2012.

### Property & equipment

These assets are stated at cost. Minor additions and improvements are charged to operations, and major additions are capitalized. Upon retirement, sale or other disposition, the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is included in operations.

Amortization for equipment is computed using the declining balance method at the following annual rates:

| | |
|---|---|
| Office Furniture and Equipment | 20% |
| Computer Equipment | 30% |
| Computer Software | 100% |

Amortization for leasehold improvements is based on a straight-line method calculated over the term of the lease. Other additions are amortized on a half-year basis in the year of acquisition.

### Website development costs

The Company has adopted the provisions of ASC 350-50-25, *Website Development Costs*, whereby costs incurred in the preliminary project phase are expensed as incurred; costs incurred in the application development phase are capitalized; and costs incurred in the post-implementation operating phase are expensed as incurred. Website development costs are stated at cost less accumulated amortization and are amortized using the straight-line method over its estimated useful life. Upgrades and enhancements are capitalized if they result in added functionality which enables the software to perform tasks it was previously incapable of performing.

### Intangible assets

The Company has adopted the provisions of ASC 350, *Intangibles – Goodwill and Other*, which revises the accounting for purchased goodwill and intangible assets. Under ASC 350, intangible assets with indefinite lives are no longer amortized and are tested for impairment annually. The determination of any impairment would include a comparison of estimated future operating cash flows anticipated during the remaining life with the net carrying value of the asset as well as a comparison of the fair value to book value of the Company.

The Company's intangible assets, which consist of its portfolio of generic domain names, have been determined to have an indefinite life and as a result are not amortized. Management has determined that there is no impairment of the carrying value of intangible assets at June 30, 2013.

### Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the net assets of acquired entities. In accordance with ASC 350-20, *Goodwill*, the Company is required to assess the carrying value of goodwill annually or whenever circumstances indicate that a decline in value may have occurred, utilizing a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The goodwill impairment test is a two-step impairment test. In the first step, the Company compares the fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using a discounted cash flow approach. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that reporting unit, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step in order to determine the implied fair value of the reporting unit's goodwill and compare it to the carrying value of the reporting unit's goodwill. The activities in the second step include valuing the tangible and intangible assets and liabilities of the impaired reporting unit based on their fair value and determining the fair value of the impaired reporting unit's goodwill based upon the residual of the summed identified tangible and intangible assets and liabilities.

### Deferred revenue

Revenue that has been received but does not yet qualify for recognition under the Company's policies is reflected as either deferred revenue or long-term deferred revenue.

### Deferred lease inducements

Lease inducements, including rent-free periods, are deferred and accounted for as a reduction of rent expense over the term of the related lease on a straight-line basis.

### Advertising costs

The Company recognizes advertising expenses in accordance with ASC 720-35, *Advertising Costs.* As such, the Company expenses the costs of producing advertisements at the time production occurs or the first time the advertising takes place and expenses the cost of communicating advertising in the period during which the advertising space or airtime is used. Internet advertising expenses are recognized as incurred based on the terms of individual agreements, and are generally either a commission for traffic driven to the website that generates a sale, or a referral fee based on the number of clicks on keywords or links to its website generated during a given period.

### Non-controlling interest

The consolidated financial statements include the accounts of Perfume Inc., and DHI. All intercompany accounts and transactions have been eliminated upon consolidation.

### Stock-based compensation

Beginning on July 1, 2007, the Company began accounting for stock options under the provisions of ASC 718, *Stock Compensation*, which require the recognition of the fair value of stock-based compensation. Under the fair value recognition provisions for ASC 718, stock-based compensation cost is estimated at the grant date based on the fair value of the awards expected to vest and recognized as expense ratably over the requisite service period of the award. The Company has used the Black-Scholes valuation model to estimate the fair value of its stock-based awards which requires various judgmental assumptions including estimating stock price volatility and expected life. The Company's computation of expected volatility is based on a combination of historical and market-based volatility. In addition, the Company considers many factors when estimating expected life, including types of awards and historical experience. If any of the assumptions used in the Black-Scholes valuation model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period.

In August 2007, the Company's board of directors approved a stock incentive plan to make available 5,000,000 shares of common stock for the grant of stock options, including incentive stock options. Incentive stock options may be granted to employees of the Company, while non-qualified stock options may be granted to employees, officers, directors, consultants, independent contractors and advisors of the Company, provided such consultants, independent contractors and advisors render bona-fide services not in connection with the offer and sale of securities in a capital-raising transaction or promotion of the Company's securities. See also Note 6.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with ASC 718 and the conclusions reached by ASC 505-50. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by ASC 505-50.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income taxes

On January 1, 2007, the Company adopted the following new accounting policy related to income tax. The Company began accounting for income tax under the provisions of ASC 740-10. ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with ASC 740-10 and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company and its subsidiaries are subject to U.S. federal income tax and Canadian income tax, as well as income tax of multiple state and local jurisdictions. Based on the Company's evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The Company's evaluation was performed for the tax years ended December 31, 2005 to 2012, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2012. The Company may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to the Company's financial results. In the event the Company has received an assessment for interest and/or penalties, it has been classified in the financial statements as selling, general and administrative expense.

### Recently issued accounting pronouncements

The Company has reviewed recently issued accounting pronouncements and plans to adopt those that are applicable to it. We do not expect the adoption of these pronouncements to have a material impact on our financial position, results of operations or cash flows.

## NOTE 3 – FINANCIAL INSTRUMENTS

### Interest rate risk exposure

The Company has limited exposure to any fluctuation in interest rates.

### Foreign exchange risk

The Company is subject to foreign exchange risk for sales and purchases denominated in foreign currencies. Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the United States dollar. The Company does not actively manage this risk.

### Concentration of credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents, trade accounts receivable and a receivable from a sales-type lease. The Company limits its exposure to credit loss by placing its cash and cash equivalents on deposit with high credit-quality financial institutions. Receivables arising from sales to customers are generally immaterial and are not collateralized. Management regularly monitors the financial condition of its customers to reduce the risk of loss.

### Fair values of financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, severance payable, bonuses payable, amounts due to shareholders of Auctomatic, convertible notes due to shareholders of Auctomatic and notes due to shareholders of Auctomatic. The Company believes that the recorded values of all of its financial instruments approximate their fair values because of their nature and respective durations.

## NOTE 4 – MERGER AGREEMENT

On March 25, 2008, the Company through its wholly owned subsidiary, Perfume Inc., entered into an Agreement and Plan of Merger (the "Merger Agreement") with Entity, Inc. ("Auctomatic"). The Merger Agreement was consummated on May 22, 2008 (the "Closing Date"). The consideration was paid as follows: (i) 340,001 shares of the Company's common stock and (ii) $1,200,000 less $152,939 in assumed liabilities. An additional 246,402 shares of common stock were issued and were to be distributed in equal amounts to the Auctomatic shareholders on each of the first, second and third anniversaries of the Closing Date. The remaining $800,000 of the total cash consideration was to be distributed on the first anniversary of the Closing Date. All amounts of cash and common stock were to be distributed pro rata among the Auctomatic stockholders. The distribution of the remaining 413,604 shares

## NOTE 4 – MERGER AGREEMENT (continued)

of the common stock payable on the first, second and third anniversary of the Closing Date to the Auctomatic founders was subject to their continuing employment with the Company on each distribution date. As these shares were contingent on future employment, they were considered contingent consideration and were accounted for under ASC 718 as stock-based compensation. During the first quarter of 2009, one of the founders resigned from Live Current, thus ending the Company's obligation to issue 137,868 shares of its common stock on the anniversary dates. During the second quarter of 2009, 91,912 of the remaining 275,736 shares were issued to the two founders who remained with the Company. The Company negotiated a termination of the employment of these two founders in August 2009, which ended the Company's obligation to issue the remaining 183,824 shares of common stock issuable under the Merger Agreement.

At May 22, 2008, the fair value of the amounts payable in cash to shareholders of Auctomatic on the first anniversary of the closing date was $640,000. The fair value discount was accreted in full by the first anniversary date, May 22, 2009, and the Company accrued the $800,000 of the amounts payable in cash to the shareholders of Auctomatic due on the first anniversary of the closing date, which remain payable.

In August 2009, the Company issued convertible notes to twelve of the eighteen Auctomatic shareholders (the "Convertible Note Holders") covering $424,934 of the total $800,000. These convertible notes bore interest at 10% per annum, accruing as of May 22, 2009, and payable quarterly in arrears. The convertible notes matured on May 22, 2010.

On May 26, 2010, the Company made an offer to the twelve Convertible Note Holders. Seven of the Convertible Note Holders accepted the offer (the "Non-Convertible Note Holders"). The Non-convertible Note Holders agreed to the cancellation of their convertible notes, which represented a total principal amount of $138,494, and accepted new promissory notes (the "May 2010 Notes") in place of their convertible notes. The May 2010 Notes required the Company to make payments of principal plus 8% interest over a period of three years in 12 equal quarterly installments beginning on June 1, 2010. Any unpaid principal and accrued interest must be paid on the maturity date, which is May 22, 2013. The principal amount may be prepaid by the Company, in whole or in part, at any time or from time to time, without premium or penalty due. There is no convertible feature to these notes. The remaining five Convertible Note Holders did not accept the offer of new notes. The Company has continued to accrue interest at 10% per annum per the terms of the convertible notes.

During the first quarter of 2013 the Company made offers and agreed to terms to settle the outstanding accounts for the Convertible Note Holders and the New Note Holders. The breakdown of the amounts due to the Convertible Note Holders and the New Note Holders at June 30, 2013 is as follows.

***Convertible Notes to Shareholders of Auctomatic***

| | | |
|---|---|---|
| **Balance, December 31, 2011** | $ | 332,506 |
| Interest accrued January 1 - March 31, 2012 | | 7,141 |
| **Balance, March 31, 2012** | | 339,647 |
| Interest accrued April 1 - June 30, 2012 | | 7,141 |
| **Balance, June 30, 2012** | | 346,788 |
| Interest accrued July 1 - September 30, 2012 | | 7,220 |
| **Balance, September 30, 2012** | | 354,008 |
| Interest accrued October 1 - December 31, 2012 | | 7,220 |
| **Balance, December 31, 2012** | | 361,228 |
| Payments made in Q1 | | (113,469) |
| Debt settlement made in Q1 | | (247,759) |
| **Balance, March 31, 2013** | | 0 |
| **Balance, June 30, 2013** | $ | 0 |

## NOTE 4 – MERGER AGREEMENT (continued)

***Non-Convertible Notes to Shareholders of Auctomatic***

| | | |
|---|---|---|
| **Balance, December 31, 2011** | $ | 113,692 |
| Interest accrued January 1 - March 31, 2012 | | 2,100 |
| **Balance, March 31, 2012** | | 115,792 |
| Interest accrued April 1 - June 30, 2012 | | 2,100 |
| **Balance, June 30, 2012** | | 117,892 |
| Interest accrued July 1 - September 30, 2012 | | 2,122 |
| **Balance, September 30, 2012** | | 120,014 |
| Interest accrued October 1 - December 31, 2012 | | 2,122 |
| **Balance, December 31, 2012** | | 122,136 |
| Interest accrual January 1 - March 31, 2013 | | 51 |
| Payments made in Q1 | | (48,316) |
| Debt settlement made in Q1 | | (70,813) |
| **Balance, March 31, 2013** | | 3,058 |
| Interest accrual April 1 - June 30, 2013 | | 52 |
| **Balance, June 30, 2013** | $ | 3,110 |

***Due to shareholders of Auctomatic***

Also in August 2009, as noted above, the Company reached an agreement with the remaining two founders of Auctomatic to terminate their employment. Under their separation agreements, the Company paid the amounts owed to them under the Merger Agreement at a 10% discount to face value as discussed below. The Company also recorded $60,000 of severance costs in Q3 of 2009 due to them under their employment agreements. In consideration of these payments, the founders each agreed to forfeit their rights to 91,912 shares of the Company's common stock that were due to be issued to each of them in May 2010 and May 2011 under the Merger Agreement.

The amounts owing to the two founders of Auctomatic pursuant to the Merger Agreement totalled $334,224 prior to their separation agreements. These amounts were discounted at 10% to face value in August 2009 and a gain on restructure of the Auctomatic payable of $29,201 was recorded in the statements of operations during the third quarter of 2009. Payments of $75,200 were made against the amounts owing to the founders upon execution of the separation agreements. The agreements provided for the balance of the payments to be made on October 1, 2009, with simple interest accruing on unpaid amounts after October 1, 2009 at 10% per annum. During the first quarter of 2013 the Company settled a majority of the outstanding accounts for the shareholders of Auctomatic. A breakdown of the amount owing at June 30, 2013 is as follows.

| | | |
|---|---|---|
| **Balance, December 31, 2011** | $ | 40,842 |
| **Balance, December 31, 2012** | | 40,842 |
| Payments made in Q1 | | (11,060) |
| Debt settlement made in Q1 | | (16,589) |
| **Balance, March 31, 2013** | | 13,193 |
| **Balance, June 30, 2013** | $ | 13,193 |

## NOTE 5 – PROPERTY & EQUIPMENT

| June 30, 2013 | Cost | Accumulated Amortization | Dispsoal of assets | Net Book Value |
|---|---|---|---|---|
| Office Furniture and Equipment | $169,247 | $112,151 | $57,096 | **$0** |
| Computer Equipment | 56,479 | 43,758 | 12,721 | **0** |
| Leasehold Improvements | 0 | 0 | 0 | **0** |
| | $225,726 | $155,909 | $69,817 | **$0** |

| December 31, 2012 | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Office Furniture and Equipment | $169,247 | $112,151 | **$57,096** |
| Computer Equipment | 56,479 | 43,758 | **12,721** |
| Leasehold Improvements | 0 | 0 | **0** |
| | $225,726 | $155,909 | **$69,817** |

## NOTE 6 – COMMON STOCK

**Authorized**
The authorized capital of the Company consists of 500,000,000 shares of common stock with a par value of $0.001 per share. No other shares have been authorized. See Note 13.

**Issued**
At June 30, 2013, 37,860,500 (December 31, 2012 – 37,860,500) shares were issued and outstanding.

**2012**
On October 30, 2012, the Company issued 3,580,736 shares of common stock to retire outstanding accounts payable in the amount of $179,456. See Note 12.

On May 17, 2012, the Company issued 2,303,584 shares of common stock to retire two outstanding loans totaling $115,179.18. See Note 12.

**2011**
On September 22, 2011, the Company completed a private placement of 1,000,000 shares of common stock and two-year warrants for the purchase of 1,000,000 shares of common stock at an exercise price of $0.10 per share. The total proceeds from the private placement were $50,000. See Note 12.

On August 1, 2011, the Company completed a private placement for 1,000,000 shares of common stock and two-year warrants for the purchase of 1,000,000 shares of common stock at an exercise price of $0.10 per share. The total proceeds from the private placement were $50,000. See Note 12.

**Stock options**
The board of directors and stockholders approved the 2007 Stock Incentive Plan and adopted it on August 21, 2007 (the "Plan"). The Company has reserved 5,000,000 shares of its common stock for issuance to directors, employees and consultants under the Plan. The Plan is administered by the board of directors. Vesting terms of the options range from immediately to five years and no options will be exercisable for a period of more than ten years.

All stock options vest over three years and are exercisable for a period of five years based on the date of grant. The Company historically valued the options granted to employees and directors using the Black Scholes option pricing model at the date of grant.

## NOTE 6 – COMMON STOCK (continued)

The Company values the options to consultants at each reporting period under ASC 718 for non-employees using the Black Scholes option pricing model. The assumptions used in the pricing model include:

| | 2013 | 2012 |
|---|---|---|
| Dividend yield | **0%** | **0%** |
| Expected volatility | **0%** | **0%** |
| Risk free interest rate | **0%** | **0%** |
| Expected lives | **3.375 years** | **3.375 years** |

The Company recognizes stock-based compensation expense over the requisite service period of the individual grants. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company assesses forfeiture rates for each class of grantees; executive management and directors, corporate directors, and general staff members. Executive management and directors are relatively few in number and turnover is considered remote, therefore the Company estimates forfeitures for this class of grantees to be 10%. Corporate directors are high level senior staff members with a forfeiture rate of 25% and general staff members have a higher forfeiture rate due to higher average turnover rates at 35%. Estimate of forfeitures is reviewed on an annual basis. Stock-based compensation is expensed on a straight-line basis over the requisite service period.

On November 15, 2012, 25,000 options were outstanding to one employee. On that date the employee issued a letter to the company withdrawing from the Stock Incentive Plan and relinquishing his rights to the 25,000 options which were issued on April 15, 2008 and November 30, 2009. At June 30, 2013, no options are outstanding.

**Common stock purchase warrants**

In July and August, 2010, the Company completed two private placements of units. Each unit consisted of 50,000 shares of common stock and a two-year warrant for the purchase of 50,000 shares of common stock at an exercise price of $0.15 per share. Each unit was sold for $5,000.

- On July 23, 2010, the Company completed the first closing, raising $370,000 and issuing 3,700,000 shares of common stock and warrants for the purchase of 3,700,000 shares of common stock. The warrants were valued using the Black Scholes option pricing model with the following assumptions: no dividend yield; expected volatility rate of 175.92%; risk-free interest rate of 3.66% and a term of two years. This resulted in a fair value of $160,950 for these warrants, which has been included in equity in the consolidated financial statements. These warrants expired unexercised on July 23, 2012.

- On August 4, 2010, the Company completed the second and final closing, raising $225,000 and issuing 2,250,000 shares of common stock and warrants for the purchase of 2,250,000 shares of common stock. These warrants were valued using the Black Scholes option pricing model with the following assumptions: no dividend yield; expected volatility rate of 175.92%; risk-free interest rate of 3.66% and a term of two years. This resulted in a fair value of $97,875 for these warrants, which has been included in equity in the consolidated financial statements. These warrants expired unexercised on August 4, 2012.

On August 1, 2011, the Company completed a private placement for $50,000, and issued a total of 1,000,000 shares of common stock and warrants for the purchase of 1,000,000 shares of common stock. These warrants were valued using the Black Scholes option pricing model with the following assumptions: no dividend yield; expected volatility rate of 182.45%; risk-free interest rate of .38% and a term of two years. This resulted in a fair value of $21,700 for these warrants, which has been included in equity in the consolidated financial statements.

On September 22, 2011, the Company completed a private placement for $50,000 and issued a total of 1,000,000 shares of common stock and warrants for the purchase of 1,000,000 shares of common stock. These warrants were valued using the Black Scholes option pricing model with the following assumptions: no dividend yield; expected volatility rate of 179.70%; risk-free interest rate of

## NOTE 6 – COMMON STOCK (continued)

.20% and a term of two years. This resulted in a fair value of $16,960 for these warrants, which has been included in equity in the consolidated financial statements.

As of June 30, 2013, 2,000,000 warrants (December 31, 2012 – 2,000,000 warrants) to purchase the Company's common stock are outstanding as follows:

| **Warrants** | **Outstanding** | **Weighted Average Exercise Price $** |
|---|---|---|
| Warrants oustanding and exercisable | | |
| December 31, 2010 | 7,577,344.00 | 0.40 |
| Granted August 1, 2011 | 1,000,000.00 | 0.10 |
| Granted September 22, 2011 | 1,000,000.00 | 0.10 |
| Cancelled or expired | (1,627,344.00) | 0.91 |
| Warrants oustanding and exercisable | | |
| December 31, 2011 | 7,950,000.00 | 0.14 |
| Granted | - | 0.00 |
| Cancelled or expired | (5,950,000.00) | 0.00 |
| December 31, 2012 | 2,000,000.00 | 0.10 |
| June 30, 2013 | 2,000,000.00 | 0.10 |

As of June 30, 2013 the expiry dates of the warrants outstanding are as follows:

| **Outstanding** | **Exercise Price $** | **Date of Expiry** |
|---|---|---|
| 1,000,000.00 | 0.10 | July 31, 2013 |
| 1,000,000.00 | 0.10 | September 21, 2013 |
| 2,000,000.00 | | |

## NOTE 7 – DOMAIN NAME LEASES AND SALES

***2013***
On May 14, 2013 the Company sold the domain name Communicate.com for $250,000.

On January 11, 2013 the Company sold the domain names Perfume.com and Cologne.com and their associated assets for $5,250,000 payable as to $1,500,000 on January 11, 2013, $550,000 at the rate of $50,000 monthly for 11 months from February 11 to December 11, 2013, and $3,200,000 on January 11, 2014.

***2012***
During year ending December 31, 2012, the Company sold a domain name for the net amount of $34,000 and entered into an agreement to sell two other domain names for $500,000 for which it has received $100,000 on account of the purchase price. The parties intend to renegotiate the payment terms for the remainder of the purchase price. The Company has not transferred the domain names to the purchaser.

## NOTE 8 – INCOME TAXES

The Company's operating subsidiary DHI, is subject to federal and provincial taxes in Canada. The Company and its subsidiary, Perfume.com Inc., are subject to federal and state taxes in United States.

As at December 31 2012, the Company and its US subsidiary have net operating loss carryforwards from previous tax years of approximately $4,912,347 and capital loss carryforwards of $120,000 that result in deferred tax assets. The Company's Canadian subsidiary has non-capital loss carry forwards of approximately $5,188,716, which result in deferred tax assets. These loss carryforwards

## NOTE 8 – INCOME TAXES (continued)

will expire, if not utilized, through 2029. The Company's subsidiary, DHI, also has approximately $338,394 in undepreciated capital costs relating to property and equipment that have not been amortized for tax purposes. The costs may be amortized in future years as necessary to reduce taxable income. Management believes that the realization of the benefits from these deferred tax assets is uncertain and accordingly, a full deferred tax asset valuation allowance has been provided and no deferred tax asset benefit has been recorded.

The Company has a deferred tax liability related to potential taxes owing on potential gains on disposal of its domain name intangible assets. U.S. GAAP does not permit taxable temporary differences associated with indefinite life intangible assets to be considered as evidence to otherwise reduce a valuation allowance associated with deductible timing differences in the same entity. The Company has recorded a related deferred tax liability in its consolidated financial statements of $94,610 at June 30, 2013 ($94,610 – at December 31, 2012).

## NOTE 9 – SEGMENTED INFORMATION

In 2012 and to date in 2013, the Company's operations were conducted within a single business segment.

| | | Total |
|---|---|---|
| **For the six months ended June 30, 2013** | | |
| **Revenue** | $ | 98,572 |
| **Segment Gain (Loss)** | | 4,784,831 |
| | | |
| **As at June 30, 2013** | | |
| **Total Assets** | $ | 4,657,319 |
| **Intangible Assets** | | 367,971 |

| | | Total |
|---|---|---|
| **For the six months ended June 30, 2012** | | |
| **Revenue** | $ | 1,953,265 |
| **Segment Loss** | | (251,988) |
| | | |
| **As at June 30, 2012** | | |
| **Total Assets** | $ | 1,041,253 |
| **Intangible Assets** | | 713,368 |

The reconciliation of the segment loss from operations to net loss as reported in the consolidated financial statements is as follows:

| | | **For the six months ended June 30, 2013** | | For the six months ended June 30, 2012 |
|---|---|---|---|---|
| Segment Loss | $ | **4,784,831** | $ | (251,988) |
| Non-Operating Income (Expenses) | | | | |
| Interest expense | | **809** | | 27,942 |
| Domain name sale | | **(5,256,343)** | | (19,597) |
| Foreign exchange loss | | **7,174** | | (68) |
| Loss on disposal of property and equipment | | **66,548** | | - |
| Impairment of website development software | | - | | - |
| Gain on setttlement of debt | | **(335,162)** | | (12,213) |
| **Net income (loss) before taxes for the period** | $ | **(732,143)** | $ | (255,924) |

Substantially all property and equipment and intangible assets are located in Canada at June 30, 2013.

## NOTE 10 – COMMITMENTS

### Premises leases

The Company leased a principal office in Vancouver, Canada, from an unrelated party for five years from October 1, 2007 to September 30, 2012. On June 1, 2010, the Company signed a sublease with an unrelated third party (the "Sub-Tenant") for the premises. The term of the sublease commenced July 1, 2010 and expired on September 29, 2012. Pursuant to the original lease, the Company was responsible for common costs that were estimated to equal approximately 73% of basic rent. Pursuant to the sublease, the sub-tenant was responsible for paying these common area costs. The sublease and the lease terminated on September 30, 2012 respectively.

Effective April 21, 2011, the Company leased its principal office in Vancouver, Canada from an unrelated party for 12 months from May 1, 2011, to April 30, 2012. At the end of the lease period the company renewed for an additional 12 month period through April 30, 2013. Pursuant to the terms of the lease agreement, the Company was committed to monthly rent payments of CDN$2,300 including common area costs, plus applicable taxes. The Company and the landlord agreed to the early termination of the lease as of February 28, 2013.

## NOTE 11 – CONTINGENCY

### Lawsuits involving C. Geoffrey Hampson

The Company is involved in a number of law suits involving it former CEO, C. Geoffrey Hampson. They are described below. On June 18, 2013, the Company, David Jeffs, Messrs. Geoffrey and Christopher Hampson and Hampson Equities agreed that they would settle all outstanding disputes between them being prosecuted or arbitrated in British Columbia, Illinois and Nevada through a global binding arbitration in Nevada to commence by October 16, 2013. The claims involving the parties have been stayed pending the results of the arbitration.

- On May 14, 2010, David Jeffs and Richard Jeffs (plaintiffs) filed a complaint in the Circuit Court of Cook County, Illinois, County Department, Chancery Division in which they, derivatively on behalf of the Company, sued C. Geoffrey Hampson, James Taylor, Mark Benham and Boris Wertz (defendants) and Live Current (nominal defendant). On October 22, 2010, the Company took over as plaintiff in the complaint. The Company alleges, among other matters, that (i) the defendant members of the board of directors breached their fiduciary duties of loyalty, trust, good faith and due care by failing to properly supervise Mr. Hampson, and (ii) that Mr. Hampson breached his fiduciary duties and his employment agreement and defrauded the Company by failing to devote the time necessary to manage the Company's business and failing to disclose to the board of directors his activities relating to other businesses. The Company seeks compensatory damages of no less than $50,000,000, punitive damages, and attorney's fees and other costs of bringing the action. The complaint against Messrs. Hampson, Taylor, Benham and Wertz was stayed in Illinois pending the outcome of arbitration, detailed below, commenced by C. Geoffrey Hampson against the Company on January 28, 2011 in British Columbia. The May 14, 2010 complaint filed in Nevada was stayed pending the conclusion of the arbitration.

- On January 26, 2011, C. Geoffrey Hampson, the Company's former CEO, filed a third-party complaint in the Circuit Court of Cook County, Illinois, against Live Current. The claim seeks indemnification to cover the costs for the former CEO for his costs of defending a defamation suit filed against him during his time as CEO of the Company.

- On January 28, 2011, C. Geoffrey Hampson initiated arbitration in British Columbia seeking severance pay and expenses of $300,697.73. The claim is subject to arbitration as set out in his employment agreement.

- On October 4, 2012, C. Geoffrey Hampson filed a complaint against the Company in the Second Judicial District Court of the state of Nevada seeking a court-ordered election of directors. On October 29, 2012 the court granted a Writ of Mandate and Order Shortening Time. On November 19, 2012 at 10:00 am local time, the Company held a meeting of stockholders in Reno, Nevada. Stockholders present either in person or on the provided conference call service did not represent a quorum and the meeting was adjourned.

- On February 19, 2013, C. Geoffrey Hampson filed a lawsuit in the Circuit Court of Cook Country, Illinois County Department, Chancery Division against David Jeffs, Susan Jeffs, John L Hayes, Ogletree Deakins Nash Smoak & Stewart P.C., and Krasnow Saunders Kaplan & Beninato LLP as defendants, and Live Current as a nominal defendant.

## NOTE 11 – CONTINGENCY (continued)

- On February 21, 2013, C. Geoffrey Hampson, Christopher Hampson, and Hampson Equities filed in the Second Judicial District Court of the State of Nevada a supplemental petition to compel election of directors, application to appoint temporary and permanent receiver, and application to enter ancillary equitable relief.

- On March 29, 2013, C. Geoffrey Hampson, Christopher Hampson, and Hampson Equities Ltd. filed a motion for preliminary injunction in the Second Judicial District Court of the State of Nevada seeking an order enjoining the Company and its officers and directors from dealing with the Company's assets, engaging in self-dealing transactions and violating the October 29, 2012 writ of mandate.

The outcome of these legal actions is not determinable and as such any loss or gain, resulting from this litigation is not determinable. The Company has accrued $100,000 in the June 30, 2013 financial statements for additional legal costs we expect to incur relating to these actions and their arbitration.

**Other lawsuits**
On March 9, 2000, a former chief executive officer of DHI commenced a legal action against DHI for wrongful dismissal and breach of contract. He is seeking, at a minimum, 18.39% of the outstanding shares of DHI, specific performance of his contract, special damages of approximately $30,000, aggravated and punitive damages, interest and costs. On June 1, 2000, DHI filed a defense and counterclaim claiming damages and special damages for breach of fiduciary duty and breach of his employment contract. The plaintiff has taken no further action.

On March 17, 2011, a former employee filed a civil claim in the Supreme Court of British Columbia against Live Current, Perfume Inc. and DHI seeking special damages of $120,000 and other damages as a result of the Company's termination of her employment. The Company has filed a counter claim. The plaintiff has taken no further action.

## NOTE 12 – RELATED-PARTY TRANSACTIONS

**2013**
On February 20, 2013 the Company issued a check to a law firm which represented one of the Companies directors. This transaction was in regards to settlement of the non-convertible notes to the Auctomatic shareholders. See Note 4.

**2012**
On October 30, 2012 the Company issued 3,580,736 shares to a related party to retire $179,036.80 of outstanding accounts payable. The shares were issued at a price of $0.05 per share. See Note 6.

On May 17, 2012 the Company issued 2,303,584 shares to a related party to retire $115,179.18 of outstanding loans that were held by its subsidiary, Domain Holdings Inc. The shares were issued at a price of $0.05 per share. See Note 6.

On April 16, 2012 Domain Holdings Inc entered into a loan agreement with a related party for $50,000 Canadian bearing an interest rate of 10% with a term of one year. On January 17, 2013 the Company repaid the loan.

**2011**
On September 22, 2011, two of the Company's directors completed a private placement to buy 1 million shares of common stock and 1 million warrants exercisable for two years at 10 cents per share. The shares were issued at $0.05 per share for a total of $50,000. See Note 6.

On August 1, 2011, two of the Company's directors completed a private placement to buy 1 million shares of common stock and 1 million warrants. The shares were issued at $0.05 per share for a total of $50,000. See Note 6.

On July 5, 2011 the Company entered into a one-year loan agreement with David Jeffs in the amount of $51,830 ($50,000 Canadian) with interest payable at 10% per annum. On January 17, 2013 the Company repaid the loan.

## NOTE 12 – RELATED-PARTY TRANSACTIONS (continued)

On April 7, 2011 the Company entered into a one-year loan agreement with David Jeffs in the amount of $52,504 ($50,000 Canadian) with interest payable at 10% per annum. On May 17, 2012 this was converted to shares in the Company.

On March 10, 2011 the Company entered into a one-year loan agreement with David Jeffs in the amount of $51,561 ($50,000 Canadian) with interest payable at 10% per annum. On May 17, 2012 this was converted to shares in the Company.

**2010**

On December 6, 2010 the Company entered into a one-year loan agreement with David Jeffs in the amount of $49,463 ($50,000 Canadian) with interest payable at 10% per annum. On January 17, 2013 the Company repaid the loan.