



## INTERIM FINANCIAL REPORT

On September 7, 2017, On4 Communications, Inc., a Delaware Corporation (the "Company") entered into a Settlement Agreement (the "Settlement Agreement") with Livingston Asset Management LLC, a Florida limited liability company ("LAM"), pursuant to which the Company agreed to issue certain common stock to LAM, in tranches, as necessary, in exchange for the settlement of certain past-due obligations and accounts payable of the Company acquired by LAM (the "LAM Assigned Accounts"). Such past-due obligations and accounts payable contained in the Settlement Amount covers approximately \$1.8 million in Company obligations as reported in the Company's most recent quarterly financial report dated July 31, 2017, which LAM has settled with the Company's creditors at an average of less than fifty per cent (50%).

On September 26, 2017, the Circuit Court of Baltimore County, Maryland (the "Court"), entered an Order Granting Approval Of Settlement Agreement And Stipulation (the "LAM Order") approving, among other things, the fairness of the terms and conditions of an exchange of the Company's common stock to settle the LAM Acquired Accounts, pursuant to Section 3(a)(10) of the Securities Act of 1933, as amended (the "Securities Act"), in the matter entitled Livingston Asset Management LLC v. On4 Communications, Inc. (the "LAM Action"). The LAM Order provides for the full and final settlement of the LAM Action. The Settlement Agreement became effective and binding upon the Company and LAM upon execution of the LAM Order by the Court on September 26, 2017.

Pursuant to the terms of the Settlement Agreement approved by the LAM Order, the Company agreed to issue to LAM shares (the "LAM Settlement Shares") of the Company's common stock, \$0.0001 par value (the "Common Stock") at a forty five percent (45%) discount to market. The Settlement Agreement provides that the LAM Settlement Shares will be issued in one or more tranches, as necessary, sufficient to satisfy the LAM Settlement Agreement through the issuance of freely trading securities, exempt from registration, issued pursuant to Section 3(a)(10) of the Securities Act, with the first tranche of Common Stock to be issued to LAM being 40 million shares.

**Steve Berman**

Chairman and Chief Executive Officer

October 16, 2017