

GOOD LIFE NETWORKS INC.

**Condensed Consolidated Interim Financial Statements
For the Three Months ended March 31, 2019 and 2018
(Unaudited)
(Expressed in Canadian Dollars)**

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Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

GOOD LIFE NETWORKS INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian Dollars)
As at

	March 31, 2019	December 31, 2018
Assets		
Current		
Cash	\$ 1,626,279	\$ 781,260
Accounts receivable, net (note 4, 11)	17,129,224	20,580,940
GST receivable	12,849	154,403
Lease asset (note 16)	82,361	-
Due from related parties (note 11)	240,724	-
Prepays	655,774	679,490
	19,747,211	22,196,093
Deposits (note 15)	2,066,905	2,098,149
Equipment	107,396	116,038
Intangible Assets (note 5, 7)	10,848,509	11,306,691
Goodwill (note 7)	10,049,499	10,201,411
	23,072,309	23,722,289
	\$ 42,819,520	\$ 45,918,382
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 8,291,765	\$ 11,450,396
Lease liability (note 16)	82,361	-
Contingent consideration (note 7)	567,927	-
Loan payable (note 6)	-	1,035,010
Bank debts (note 8)	5,768,927	4,301,066
Other liabilities (note 14)	434,931	434,931
	15,145,911	17,221,403
Bank Debts (note 8)	5,104,944	5,502,070
Loan Payable (note 6)	1,035,010	-
Contingent Consideration (note 7)	11,795,683	12,208,499
Derivative Liability (note 9)	546,793	555,058
Deferred Income Taxes (note 7)	2,815,494	2,815,494
	36,443,835	38,302,524
Shareholders' Equity		
Share Capital (note 9)	17,923,220	17,805,727
Translation Reserve	(47,838)	325,479
Reserves (note 9)	1,601,308	1,448,294
Deficit	(13,126,633)	(11,986,302)
Equity Attributable to Owners of the Company	6,350,057	7,593,198
Non-Controlling Interest	25,628	22,660
	6,375,685	7,615,858
	\$ 42,819,520	\$ 45,918,382

Approved on behalf of the Board:

"Jesse Dylan"

.....
Jesse Dylan, Director

"Cliff Dumas"

.....
Cliff Dumas, Director

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

GOOD LIFE NETWORKS INC.
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended	
	March 31, 2019	March 31, 2018
Revenue	\$ 4,617,564	\$ 1,322,139
Direct Expenses	(3,072,603)	(873,869)
	1,544,961	448,270
Operating Expenses		
Amortization (note 5, 16, 17)	319,922	2,084
Financing costs (note 6, 7, 8)	351,278	56,142
General and administrative expenses (note 11)	1,437,481	696,916
Marketing	261,006	117,888
Share-based compensation (note 9)	153,014	488,830
	2,522,701	1,361,860
Operating Profit (Loss)	(977,740)	(913,590)
Listing fee (notes 10 and 11)	-	(2,318,018)
Acquisition-related expenses (note 7)	(8,500)	-
Foreign exchange gain (loss)	(128,003)	22,594
Gain (loss) on forgiveness of debt	(23,120)	26,535
Fair value change of derivative liability	-	234,000
Net Income (Loss) for the Period	\$ (1,137,363)	\$ (2,948,479)
Net Income (Loss) Attributed to:		
Owners of the Company	\$ (1,140,331)	\$ (2,962,367)
Non-controlling interest	2,968	13,888
	\$ (1,137,363)	\$ (2,948,479)
Translation adjustment	(373,317)	-
Comprehensive Income (Loss) for the Period	\$ (1,510,680)	\$ (2,948,479)
Comprehensive Income (Loss) Attributed to:		
Owners of the Company	\$ (1,513,648)	\$ (2,962,367)
Non-controlling interest	2,968	13,888
	\$ (1,510,680)	\$ (2,948,479)
Basic and Diluted Income (Loss) Per Share	\$ (0.02)	\$ (0.05)
Weighted Average Number of Common Shares Outstanding	77,602,898	61,182,080

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

GOOD LIFE NETWORKS INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited)
(Expressed in Canadian Dollars)

	<u>Share Capital</u>		Shares to be issued	Reserves	Convertible Debentures – Equity Component	Translation Reserve	Deficit	Non- Controlling Interest	Total
	Number	Amount							
		\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2017	26,058,696	7,087,362	-	140,218	209,463	-	(9,640,753)	(58,034)	(2,261,744)
Shares issued from private placement	37,757,604	9,450,000	-	-	-	-	-	-	9,450,000
Share issuance costs	-	(1,261,422)	-	-	-	-	-	-	(1,261,422)
Agents' options	-	(509,310)	-	509,310	-	-	-	-	-
Shares issued pursuant to RTO	4,000,000	1,000,000	-	126,000	-	-	-	-	1,126,000
Share-based compensation	-	-	-	488,830	-	-	-	-	488,830
Shares issued for Bridge Financing convertible notes	8,448,199	1,571,869	-	-	(193,327)	-	-	-	1,378,542
Shares issued for convertible notes	134,461	42,110	-	-	(9,412)	-	-	-	32,698
Net income (loss) for the period	-	-	-	-	-	-	(2,962,367)	13,888	(2,948,479)
Balance, March 31, 2018	76,398,960	17,380,609	-	1,264,358	6,724	-	(12,603,120)	(44,146)	6,004,425
Balance, December 31, 2018	77,341,092	17,805,727	-	1,448,294	-	325,479	(11,986,302)	22,660	7,615,858
Shares issued for options exercised	362,500	72,500	-	-	-	-	-	-	72,500
Share-based compensation	-	-	-	153,014	-	-	-	-	153,014
Cumulative translation agreement	-	-	-	-	-	(373,317)	-	-	(373,317)
Warrants exercised	-	-	44,993	-	-	-	-	-	44,993
Net income (loss) for the period	-	-	-	-	-	-	(1,140,331)	2,968	(1,137,363)
Balance, March 31, 2019	77,703,592	17,878,227	44,993	1,601,308	-	(47,838)	(13,126,633)	25,628	6,375,685

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

GOOD LIFE NETWORKS INC.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended	
	March 31, 2019	March 31, 2018
Operating Activities		
Net income (loss) for the period	\$ (1,137,363)	\$ (2,948,479)
Items not involving cash		
Amortization	319,922	2,084
Accrued interest	-	36,157
Accretion expense (note 7)	155,111	1,128
Share-based compensation	153,014	488,830
Transaction costs	-	1,023,641
Gain on forgiveness of debts	23,120	(26,535)
Fair value change in derivative liability	(8,265)	(234,000)
Unrealized foreign exchange gains/losses	128,003	(6,221)
	(366,458)	(1,663,395)
Changes in non-cash working capital		
Restricted cash	-	(57,500)
Receivables	3,451,716	2,154,938
GST receivable	141,554	(70,836)
Due from related party (note 11)	(240,724)	(70,836)
Prepays	23,716	(30,511)
Accounts payable and accrued liabilities	(3,181,751)	(2,743,627)
Other assets and liabilities	(25,435)	-
Cash Provided by (Used in) Operating Activities	(197,382)	(2,481,767)
Investing Activities		
Purchase of software and equipment	-	(39,124)
Purchase of intangibles	(26,900)	(248,814)
Deposits (note 15)	-	(1,652,702)
Cash received on acquisition of Exito	-	67,994
Cash Used in Investing Activity	(26,900)	(1,872,646)
Financing Activities		
Proceeds from share issuance, net of issuance costs	117,493	8,097,295
Loan payable		30,942
Amounts drawn from credit facility (note 8)	1,070,735	-
Interest payable	727	-
Cash settlement of convertible notes	-	(51,696)
Repayment of promissory notes and interest	-	(892,867)
Cash Provided by (Used in) Financing Activities	1,188,955	7,183,674
Foreign Exchange Effect on Cash	(119,654)	22,594
Inflow (Outflow) of Cash	845,019	2,922,691
Cash, Beginning of Period	781,260	15,468
Cash, End of Period	\$ 1,626,279	\$ 2,938,159
Supplemental disclosure of cash flow information (note 12)		

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

GOOD LIFE NETWORKS INC.
Notes to the Consolidated Financial Statements
Three Months ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Good Life Networks Inc. (formerly Exito Energy II Inc.) (the "Company" or "Good Life") was incorporated under the *Business Corporations Act* on August 17, 2011 in the province of British Columbia. The Company was classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV") until the completion of the qualifying transaction.

Effective January 28, 2018, the Company closed its qualifying transaction (the "Transaction") with Good Life Networks Inc. ("GLN"), a Vancouver-based, digital media private company. The Transaction was completed by way of a share exchange pursuant to a plan of arrangement under the provisions of the *Business Corporations Act* (British Columbia) (the "Arrangement"), which included the amalgamation of GLN and Exito Energy II Inc. ("Exito") to form the Company as the resulting issuer. Immediately prior to the completion of the Arrangement, Exito completed a consolidation of its issued and outstanding common shares on the basis of one post-consolidation share for every two pre-consolidation shares and continued from Alberta into British Columbia. Each GLN common share was exchanged for 0.2601 of a common share of the Company. The Company is continuing the business of GLN, as described below. The transaction was considered a reverse takeover ("RTO") since the legal acquiree is the accounting acquirer, as the former shareholders of GLN obtained a controlling interest of the resulting entity after the completion of the transaction (see note 10).

The Company's goal is a commercially focused digital branding and advertising agency. The principal business office of the Company is located at Suite 150, 1090 Homer Street, Vancouver, British Columbia, Canada, V6B 2W9.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Several conditions raise significant doubt regarding the validity of the going concern basis. Except for the year ended 2017, the Company has a history of losses and negative operating cash flows. As at March 31, 2019, the Company has an accumulated deficit of \$13,126,633 (December 31, 2018 - \$11,986,302). The Company will require additional funding in order to satisfy its liabilities as they become due and sustain its ongoing operations in the normal course of business. The Company plans to generate the necessary resources to finance operations by way of a combination of sales of its products, issuance of equity securities and debt instruments.

The condensed consolidated interim financial statements do not reflect adjustments to the amounts and classifications of assets and liabilities that would be necessary if the going concern assumption was not appropriate. Such adjustments could be significant.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

GOOD LIFE NETWORKS INC.
Notes to the Consolidated Financial Statements
Three Months ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

(a) Statement of compliance (Continued)

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited financial statements for the year ended December 31, 2018 of GLN (formerly Exito), except as presented in note 3. These condensed consolidated interim financial statements do not include all the disclosures required for the annual audited financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements for GLN (formerly Exito) for the year ended December 31, 2018.

(b) Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on May 29, 2019.

(c) Basis of presentation

These condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments measured at fair value. These consolidated financial statements have prepared using the accrual basis of accounting, except for cash flow information. These condensed consolidated financial statements are presented in Canadian dollars and the Company's functional currency is US dollars.

(d) Consolidation

These condensed consolidated financial statements include accounts of the Company and the following controlled entities at March 31, 2019 and December 31, 2018:

	<u>Relationship</u>	<u>Percentage</u>
Megacast Networks Inc.	Subsidiary	100%
Good Life Networks USA Inc.	Subsidiary	60%
Lighthouse Digital Inc.	Subsidiary	100%
495 Communications, LLC*	Subsidiary	100%
ImpressionX Inc.*	Subsidiary	100%

* The Company acquired 495 Communications, LLC ("495") and ImpressionX Inc. ("ImpressionX") on December 17, 2018 (note 7).

All intercompany balances and transactions are eliminated on consolidation. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

GOOD LIFE NETWORKS INC.
Notes to the Consolidated Financial Statements
Three Months ended March 31, 2019 and 2018
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2. BASIS OF PRESENTATION (Continued)

(e) Use of estimates and judgments

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

The Company has applied the same significant estimates and judgments in its condensed consolidated interim financial statements as in the audited consolidated financial statements of GLN (formerly Exitto) for the year ended December 31, 2018

Significant areas requiring the use of management estimates include:

- (i) Share-based compensation is valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes Option Pricing Model (“Black - Scholes”) utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumption on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.
- (ii) Useful lives of intangible assets – Following initial recognition, the Company carries the intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on the straight-line basis based upon management’s estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.
- (iii) Recoverability of the carrying value of intangible assets requires management to determine whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of marketing and sales data, as well as the Company’s financial ability to continue marketing and sales activities and operations.
- (iv) The fair value of consideration to acquire the Company in a reverse take-over transaction comprised common shares and replacement warrants and options. Common shares were valued on the date of issuance. Replacement warrants and options were valued using the Black-Scholes model. The Company applied IFRS 2 *Share-based Payments* in accounting for the Transaction.

GOOD LIFE NETWORKS INC.
Notes to the Consolidated Financial Statements
Three Months ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

(e) Use of estimates and judgments (Continued)

Significant areas requiring the use of judgments include:

- (i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts and therefore do not necessarily provide certainty as to their recorded values.
- (ii) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its platform development and working capital requirements.
- (iii) The application of the Company's accounting policy for intangible asset capitalization requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Assumptions may change if new information becomes available. The Company assesses at each reporting date if the intangible asset has indicators of impairment. In determining whether the intangible is impaired, the Company assesses certain criteria, including observable decreases in value, significant changes with adverse effect on the entity, evidence of technological obsolescence and future plans.
- (iv) Research and development expenditures. The application of the Company's accounting policy for research and development expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.
- (v) The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be uncollectable. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change to those factors could impact the estimated allowance and the provision for bad debts.
- (vi) The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

GOOD LIFE NETWORKS INC.
Notes to the Consolidated Financial Statements
Three Months ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

(e) Use of estimates and judgments (Continued)

- (vii) Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.
- (viii) Contingencies are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies involves a significant amount of judgement, including assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, and determining a reliable estimate of the amount of cash outflow required to settle the obligation. The Company is required to both determine whether loss is probable and whether the loss can be reasonably estimated. The uncertainty involved with the time and amount at which a contingency may be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.
- (ix) Management has had to apply judgment relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.
- (x) Contingent consideration and the allocation of fair value of assets acquired. The determination of fair value of assets acquired and contingent consolidations requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the assets acquired require the most judgment and include estimates of future cash flows.

GOOD LIFE NETWORKS INC.
Notes to the Consolidated Financial Statements
Three Months ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The Company has applied the same accounting policies and methods of computation in its condensed consolidated interim financial statements as in the audited consolidated financial statements of GLN (formerly Exit) for the year ended December 31, 2018, except for those that relate to new standards and interpretations effective for the first time for periods beginning on or after January 1, 2019, and will be adopted in the 2019 annual financial statements.

(a) Change in functional currency

Prior to January 1, 2018, the functional currency of Good Life, the parent company and its subsidiaries Megacast Networks Inc. and Good Life Networks USA Inc., was the Canadian dollar ("CAD"). Per IAS 21 – *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"), an entity's functional currency should reflect the underlying transactions, events and conditions that are relevant to the entity. Management considered primary and secondary indicators in determining functional currency including the currency that influences sales prices, labour, purchases and other costs. Other indicators including the currency in which funds from financing activities are generated and the currency in which receipts from operations are usually retained.

Based on these factors, management concluded that effective January 1, 2018, the parent company and its subsidiaries' functional currency should be the United States dollar ("USD"). One of the main factors affecting this decision is that sales contracts with substantially all customers are now denominated in USD.

The Company's' newly incorporated subsidiary Lighthouse Digital Inc. and acquired subsidiaries 495 and ImpressionX also have a functional currency of USD. The Company has accounted for the change in functional currency prospectively, as provided for under IAS 21 with no impact of this change on prior period comparative information.

(b) Income taxes

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

GOOD LIFE NETWORKS INC.
Notes to the Consolidated Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Share issue costs

The Company accounts for share issue costs by deferring the costs until the shares are issued, at which time the costs are charged to share capital as share issue costs. If the share offering does not proceed, the costs are expensed.

(d) Revenue recognition

Change in accounting policy

The Company adopted the requirements of IFRS 15 *Revenue from Contracts with Customers* effective January 1, 2018, which replaces IAS 18 *Revenue* using the modified retrospective approach. The Company reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model as follows:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price, which is the total consideration provided by the customer;
- allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- recognize revenue when the relevant criteria are met for each performance obligation.

The adoption of IFRS 15 did not result in any changes to the Company's accounting policies for revenue recognition and therefore, did not result in any transitional adjustments to the Company's consolidated financial statements.

The Company generates revenue using its proprietary technology to connect online users to advertisers. Revenue is recognized over time using the output method when the performance obligation is fulfilled. The performance obligation is satisfied over time as the volume of impressions are delivered based on contract terms. Revenue arrangements are evidenced by contracts which specify the number and type of advertising impressions to be delivered over time at an agreed upon price based on performance objectives. Performance objectives are generally a measure of the number of ads displayed. The Company recognizes revenue when collection is reasonably assured.

(e) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes option pricing model, which incorporates all market vesting conditions. For employee share options, the number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

GOOD LIFE NETWORKS INC.
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Equipment

Equipment comprised of office furniture and computer equipment. Equipment is amortized on a straight-line basis over five years. Equipment is measured at cost less accumulated amortization and accumulated impairment loss.

(g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the Cash Generating Unit ("CGU") level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives as follows:

Intellectual property - 10 years
Customer relationships - 5 to 10 years
Patents - 10 years
Trademarks - 10 years

(h) Goodwill

The Company measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Since goodwill results from the application of the acquisition method of accounting for a business combination, it requires judgment in the determination of the fair value of assets and liabilities. Goodwill is allocated to the Company's CGUs or group of CGUs that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal. The Company performs the annual goodwill impairment tests on December 31 each year.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased when an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(j) Income (loss) per share

Basic income (loss) per share is calculated by dividing the income or loss for the year by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted earnings per share assumes that the deemed proceeds received from the exercise of share options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

Stock options and share purchase warrants are typically dilutive when the Company has net income for the period and the average market price of the common shares during the period exceeds the exercise price of the stock option and/or share purchase warrant.

Shares held in escrow are excluded from the determination of basic income (loss) per share if the release from escrow is other than time based.

(k) Convertible debt

The Company evaluates the terms of its financial instruments to determine whether it contains both a liability and an equity component. The Company recognizes separately the components of a financial instrument that create a financial liability and grants an option to the holder of the instrument to convert it into equity of the Company. On initial recognition, the instrument's fair value is allocated between the liability and the equity components using the residual method. The fair value of any derivative feature embedded in the compound financial instrument (other than the equity component, such as an equity conversion feature) is presented as a liability instrument.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments

Change in accounting policy

The Company adopted the new accounting standard IFRS 9, *Financial Instruments* effective January 1, 2018 using the modified retrospective approach. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for the year ended December 31, 2017 is presented under IAS 39 *Financial Instruments: recognition and measurement*. There were no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard.

The Company did a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Measurement Category	
	Under IAS 39	Under IFRS 9
	Classification	Classification
Cash	Fair value – P&L	Fair value – P&L
Accounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Bank debt	Amortized cost	Amortized cost
Interest payable	Amortized cost	Amortized cost
Promissory notes	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost
Share subscriptions received	Amortized cost	Amortized cost
Other liabilities	Amortized cost	Amortized cost
Bridge Financing payable	Amortized cost	Amortized cost
Contingent liabilities	Fair value – P&L	Fair value – P&L
Derivative liability	Fair value – P&L	Fair value – P&L

Financial assets

(i) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(ii) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

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3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to deficit when the financial instrument is derecognized or its fair value substantially decreases.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

(i) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(ii) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income (loss).

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value hierarchy

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the

initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

(m) Foreign currency translation

The functional currency of the Company and its subsidiaries is the United States dollar, and accounts denominated in currencies other than the United States dollar have been translated as follows:

- Monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items at historical exchange rates; and
- Revenue and expense items at the rate of exchange in effect on the transaction date.

The Company's presentation currency is the Canadian dollar. For presentation purposes, all amounts are translated from the United States dollar functional currency to the Canadian dollar presentation currency for each period. Statement of financial position accounts, with the exception of equity, are translated using the exchange rate at the end of each reporting period, transactions on the statement of comprehensive income (loss) are recorded at the average rate of exchange during the period, and equity accounts are translated using historical actual exchange rates.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as translation adjustment, which is included in translation reserve in the statement of shareholders' equity (deficiency).

(n) Derivative liability

The Company classifies equity instruments that do not meet the definition of equity as derivative liabilities which are fair valued each reporting period subsequent to the initial issuance unless the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. The Company uses the Black-Scholes option pricing model to fair value these instruments. All changes in the fair value are recorded in the consolidated statements of comprehensive income (loss).

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) IFRS standards adopted

As of January 1, 2019, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The adoption of these standards did not have a material impact on the consolidated results (note 16), financial position or accounting policies of the Company. Significant standards adopted include the following:

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

On initial transition, the Company has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Right-of-use assets and lease liabilities of \$107,069 were recorded on January 1, 2019. There was no net impact on opening retained earnings on adoption.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) IFRS standards adopted (Continued)

IFRS 16 Leases (Continued)

The following is a table that reconciles the Company's operating lease obligations at December 31, 2018 as previously disclosed in the Company's 2018 Consolidated Financial Statements to the IFRS 16 lease liability recognized on January 1, 2019. A reconciliation of the lease liabilities during the 3 months ended March 31, 2019 is presented in note 16 of these financial statements. The weighted average discount rate applied at January 1, 2019 was 5.00%.

Operating lease commitments, December 31, 2018	\$	109,355
Measurement adjustments		863
Undiscounted lease obligation at January 1, 2019	\$	110,218
Balance, lease liability, discounted using the incremental borrowing rate at January 1, 2019 and balance, right-of-use asset January 1, 2019	\$	107,069

4. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified at fair value through profit and loss ("FVTPL"); accounts receivable is classified at amortized cost; and accounts payable and accrued liabilities, loan payable, promissory notes, interest payable, bank debts, bridge financing payable, other liabilities and convertible debentures are classified at amortized cost. The carrying values of these instruments, other than bank debts, convertible debentures and bridge financing payable approximate their fair values due to their short term to maturity. The carrying value of bank debts, convertible debentures and bridge financing payable approximates fair value as they were at market rates of interest. Contingent consideration and derivative liability are classified at FVTPL using level 3 of the fair value hierarchy.

The Company has exposure to the following risks from its use of financial instruments:

(a) 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 an obligation. Cash is placed with a major Canadian financial institution and the Company's concentration of credit risk for cash and maximum exposure thereto is \$1,626,279 (December 31, 2018 - \$781,260).

With respect to its accounts receivable, the Company assesses the credit rating of all customers and maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Company's credit risk with respect to accounts receivable and maximum exposure thereto is \$17,129,224 (December 31, 2018 - \$20,580,940). Accounts receivable are shown net of provision of credit losses of \$353,930 (December 31, 2018 - \$353,930).

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4. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At March 31, 2019, the Company has \$1,626,279 (December 31, 2018 - \$781,260) of cash to settle current liabilities with the following due dates: accounts payable and accrued liabilities of \$8,291,765 (December 31, 2018 - \$11,450,396) and contingent consideration of \$567,927 (December 31, 2018 - \$Nil) are due within three to six months. Loan payable of \$Nil (December 31, 2018 - \$1,035,010), and bank debt of \$5,768,927 (December 31, 2018 - \$4,301,066) and other liabilities of \$434,931 (December 31, 2018 - \$434,931) are due within twelve months. Bank debts of \$5,188,394 (December 31, 2018 - \$5,502,070), loan payable of \$1,035,010 (December 31, 2018 - \$Nil) and contingent consideration of \$1,640,572 (December 31, 2018 - \$2,208,499) are due after twelve months.

The Company manages its liquidity risk by relying upon its revenues and will have to raise additional funds through equity or debt financing to fund its current liabilities and operations.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(i) Interest rate risk

The Company is exposed to floating interest rate risk related to its bank debts.

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5. FINANCIAL INSTRUMENTS (Continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company also exposed to foreign currency risk that options and warrants that have exercise price which is different from its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

As at March 31, 2019 and December 31, 2018, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	2019	2018
	CAD\$	CAD\$
Cash	88,173	223,833
Accounts receivable	253,573	292,311
Accounts payable and accrued liabilities	(728,595)	(830,137)
Loans payable	(2,121,863)	(1,467,120)
Other liabilities	(434,931)	(434,931)
	CAD\$ (2,943,643)	CAD\$ (2,216,044)

A 10% (December 31, 2018 - 10%) change in the US dollar against the Canadian dollar at March 31, 2019 would result in a change of approximately \$220,000 (December 31, 2018 - \$163,000) in comprehensive income (loss).

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

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5. INTANGIBLE ASSETS

On October 5, 2016, pursuant to a consulting agreement with Stella 3000 Ltd. ("Stella"), the Company issued 1,333,333 common shares at a fair value of \$66,667 as consideration for Stella's assignment of intellectual property to the Company. The intellectual property has an estimated useful life of 10 years.

During the year ended December 31, 2018, the Company acquired two additional patent applications for consideration of \$827,367, as well as customer relationships of \$8,583,040 and trademarks of \$1,837,307 from business combinations (note 7).

	Intellectual Property	Customer Relationships	Trademarks	Patents	Total
COST					
Balance, December 31, 2017	\$ 66,667	\$ -	\$ -	\$ -	\$ 66,667
Acquired from business combination (Note 7)	-	8,583,040	1,837,307	-	10,420,347
Additions	12,514	-	-	827,367	839,881
Impact of foreign exchange	5,083	98,189	21,019	3,320	127,611
Balance, December 31, 2018	\$ 84,264	\$ 8,681,229	\$ 1,858,326	\$ 830,687	\$11,454,506
Additions	-	-	-	26,900	26,900
Impact of foreign exchange	(1,017)	(129,891)	(27,805)	(38,033)	(196,746)
Balance, March 31, 2019	\$ 83,247	\$ 8,551,338	\$ 1,830,521	\$ 819,554	\$11,284,660
ACCUMULATED AMORTIZATION					
Balance, December 31, 2017	\$ 8,334	\$ -	\$ -	\$ -	\$ 8,334
Charge for the year	8,334	32,302	6,915	91,930	139,481
Balance, December 31, 2018	\$ 16,668	\$ 32,302	\$ 6,915	\$ 91,930	\$ 147,815
Charge for the period	2,084	214,576	45,933	25,743	288,336
Balance, March 31, 2019	\$ 18,752	\$ 246,878	\$ 52,848	\$ 117,673	\$ 436,151

GOOD LIFE NETWORKS INC.

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5. INTANGIBLE ASSETS (Continued)

CARRYING VALUE

December 31, 2018	\$ 67,596	\$ 8,648,927	\$ 1,851,411	\$ 738,757	\$ 11,306,691
March 31, 2019	\$ 64,495	\$ 8,304,460	\$ 1,777,673	\$ 701,881	\$ 10,848,509

6. LOAN PAYABLE

Concurrent with the closing the 495 acquisition (note 7), the Company signed a promissory note agreement with the sellers for \$1,035,010. The loan is repayable on or before February 1, 2019. The loan will begin accruing interest at a rate of 6% per annum in the event the principal is not repaid on the due date. The loan is unsecured.

During the three months ended March 31, 2019, the Company and the sellers of 495 agreed to postpone the due date of this loan until April 30, 2020.

7. ACQUISITIONS

495 Communications, LLC

On December 17, 2018, the Company closed the acquisition of 100% of the issued and outstanding shares of 495 Communications, LLC ("495") under the terms of a definitive share purchase agreement. As a result of the acquisition, 495 operates as a wholly-owned subsidiary of Good Life. 495 is in the business of Connected Television ("CTV") advertising and content marketing. 495 has exclusive rights to advertise on numerous premium CTV channels, where users can watch advertising supported movies and video content. The Company acquired 495 to gain access to its customer base and CTV advertising and content.

The aggregate consideration paid by the Company to acquire 495 comprised of:

- (i) US \$3,500,000 cash less the amount of outstanding indebtedness;
- (ii) a cash earn-out, up to a maximum of \$5,500,000 for performance benchmarks; and
- (iii) a share/cash earn-out, to be satisfied, at the sole discretion of the Company, in cash or through the issuance of common shares of the Company up to a maximum amount of US\$6,000,000 for hitting performance benchmarks. The earn-out period is from January 1, 2019 to December 31, 2019

The Company has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair values at the acquisition date.

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7. ACQUISITIONS (Continued)

The provisional allocation of the purchase consideration to the total fair value of net assets acquired is as follows:

Fair value of net assets acquired	\$
Cash	1,023,259
Accounts receivable	3,450,650
Other current assets	25,481
Customer relationships	5,860,607
Tradenames & trademarks	1,837,307
Accounts payable	(3,292,593)
Other current liabilities	(50,769)
Deferred income tax liability	(2,078,437)
Identifiable net assets acquired	6,775,505
Goodwill	7,792,864
	14,568,369
Consideration Paid	\$
Cash	4,693,850
Loan payable (note 6)	1,023,259
Fair value of earn-outs	8,851,260
	14,568,369

On acquisition, the Company recognized a deferred income tax liability of \$2,078,437 from the temporary differences arising from the customer relationships, tradenames and trademarks. The resulting goodwill represents the established growth potential and synergies between 495 and the Company. During the period ended March 31, 2019, 495 generated revenues of \$2,533,887 and a net income of \$168,475.

During the three month period ended March 31, 2019, the Company recognized \$155,111 (2018 - \$Nil) in accretion expenses related to the contingent consideration to be paid.

As at March 31, 2019, the Company recognized a foreign exchange loss on the loan payable and contingent consideration of \$11,751 and \$101,640, respectively.

ImpressionX

On December 17, 2018, the Company acquired 100% of the issued and outstanding shares of ImpressionX Inc. ("ImpressionX") under the terms of a definitive share purchase agreement. As a result of the acquisition, ImpressionX operates as a wholly-owned subsidiary of Good Life.

ImpressionX is a digital advertising company with a focus on CTV, mobile, and digital media platforms. Customers consist of advertisers seeking to publish their content on mobile, digital and CTV platforms. The Company acquired ImpressionX to gain access to its customer base and CTV advertising and content.

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7. ACQUISITIONS (Continued)

The aggregate consideration paid by the Company to acquire ImpressionX comprised of:

- (i) US \$500,000 cash;
- (ii) A working capital adjustment of \$845,427 recorded in accounts payable of the Company as at December 31, 2018;
- (iii) A performance earn-out of up to USD \$1,000,000 in cash based on agreed-upon milestones. The earn-out period is for the 12-month period following the closing date;
- (iv) A performance earn-out of up to USD \$2,600,000 in Warrants for the 2-year period following the closing date; and
- (v) 2,914,622 warrants with an exercise price of \$0.1836 and term of 5 years.

The warrants issued on acquisition date have an estimated fair value of \$388,919, calculated using the Black-Scholes option pricing model assuming a share price of \$0.195, average risk-free interest rate of 1.93%, a 0% dividend rate and volatility of 85%. The warrants issued are presented as a derivative liability as they do not meet the fixed-for-fixed criteria.

The Company has determined that this transaction is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired and liabilities assumed were recorded at their estimated fair values at the acquisition date.

The provisional allocation of the purchase consideration to the total fair value of net assets acquired is as follows:

Fair value of net assets acquired	\$
Accounts receivable	3,994,324
Customer relationships	2,722,433
Accounts payable	(3,148,897)
Deferred income tax liability	(737,057)
Identifiable net assets acquired	2,830,803
Goodwill	2,292,733
	5,123,536
Consideration Paid	\$
Cash	670,550
Working capital adjustment	845,427
Warrants	388,919
Fair value of earn-outs	3,218,640
	5,123,536

On acquisition, the Company recognized a deferred income tax liability of \$737,057 from the temporary difference arising from the customer relationships. The resulting goodwill represents the established growth potential and synergies between ImpressionX and the Company. During the period ended March 31, 2019, ImpressionX generated revenues of \$498,287 and a net loss of \$433.

GOOD LIFE NETWORKS INC.

Notes to the Condensed Consolidated Interim Financial Statements

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7. ACQUISITIONS (Continued)

As at March 31, 2019, the Company recognized a foreign exchange loss on the contingent consideration of \$36,959.

In connection with the two acquisitions noted above, the Company incurred \$1,358,992 in acquisition costs during the year ended December 31, 2018, which was recorded in the consolidated statements of comprehensive income (loss).

As at March 31, 2019, the Company recognized a foreign currency translation adjustment on goodwill of (\$36,098).

8. BANK DEBT

On December 17, 2018, the Company entered into a commercial agreement with a major Canadian financial institution to provide four credit facilities ("Facilities") for working capital and acquisitions.

The first credit facility amounted \$5,000,000 with \$4,944,448 drawn down by March 31, 2019 ("First Facility"). The first credit facility is due on demand and represents a general operating line facility for the purpose of general operating requirements. It bears interest rate of prime plus 1.25% per annum with interest payable monthly.

The second credit facility amounted \$5,000,000 or USD equivalent, with USD \$3,705,124 drawn by March 31, 2019. This is a revolving term facility for the purpose of financing the acquisition of 495 and future acquisitions ("Second Facility"). Interest rates vary based on total funded debt to EBITDA (Earnings Before Interest Taxes and Amortization) ranging from The Bank of London Interbank Offer Rate ("LIBORs") +300 basis points to LIBORs +550 basis points. A standby fee of 0.25% per annum on the daily unused portion of the credit payable, is payable monthly from the date after the initial drawdown. The second facility is repayable with a 5-year term with first 12 months of interest only and then 47 equal monthly installments of principal and interest. Final payment of principal and interest are due on 60th month. In addition to the scheduled installments of principal, an annual bulk cash payment, equal to 50% of surplus cash flow (as defined in the agreement) to a maximum amount of \$500,000, is to be applied as a permanent reduction.

The third credit facility amounted \$1,115,000 or USD equivalent, with USD \$701,120 drawn by March 31, 2019. This is a revolving term facility for the purpose of financing the payout of Lerna liabilities (note 14) ("Third Facility"). Interest rates vary based on total funded debt to EBITDA ranging from LIBORs +300 basis points to LIBORs +550 basis points. The loan was fully drawn down by March 31, 2019. The Third Facility is repayable in 24 monthly installments of principal and interest commencing 30 days after draw down. In addition to the scheduled installments of principal, an annual bulk cash payment, equal to 50% of surplus cash flow (as defined in the agreement) to a maximum amount of \$500,000, is to be applied as a permanent reduction.

Interest paid during the three months ended March 31, 2019, and 2018 towards the credit facilities is as follows:

	2019	2018
Interest expense	\$183,671	-

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8. BANK DEBT (Continued)

The facilities are secured by a first fixed charge over all present and future Assets of the Company. Under the terms of the facilities, the Company must satisfy certain financial covenants including minimum financial ratios. These include:

- Maintain a fixed coverage ratio of not less than 1.10 to 1.00.
- Maintain current assets to current liabilities ratio all times at 1.25:1 or better.
- Maintain a Total Funded Debt to EBITDA ratio equal to or less than 4.00:1 at closing, stepping down to 3.50:1 by fiscal year ending December 31, 2018, stepping down to 3.00 by fiscal year ending December 31, 2019 and maintained all times.

The Company is in compliance with the above covenants at March 31, 2019. The Company paid a \$45,000 commitment fee in relation to the facilities, which was recorded as a deferred financing cost, in addition to \$50,000 in other financing fees

Repayment	\$
Within 12 months	5,768,927
March 31, 2021	1,659,664
March 31, 2022	1,237,789
March 31, 2023	1,237,789
March 31, 2024	1,053,152
	10,957,321

9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

During the three months ended March 31, 2019

During the three months ended March 31, 2019, 362,500 options were exercised at a price of \$0.20 per option for proceeds of \$72,500.

During the three months ended March 31, 2019, the Company received a request to exercise 130,000 warrants at a price of \$0.3461 per warrant for proceeds of \$44,993. As of March 31, 2019, these shares have not been issued.

During the year ended December 31, 2018

On January 26, 2018, the Company closed the qualifying transaction with GLN (note 1) and deemed issued 4,000,000 common shares with a fair value of the common shares amounted to \$1,000,000 (note 10) pursuant to RTO.

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9. SHARE CAPITAL (Continued)

(b) Issued (Continued)

Concurrent with the Transaction, the Company completed a private placement of 36,757,617 shares for gross proceeds of \$9,200,000. The Company paid \$1,245,974 cash commission and issued 2,545,064 agents' options to purchase common shares at \$0.25 per share until January 26, 2020. The agent's options were valued using the Black-Scholes model resulting in fair value of \$255,560 which was recorded as share issuance costs.

The Company also issued an aggregate of 8,448,202 units in connection with the Bridge Financing convertible notes. Each unit comprises one common share and one-half of one non-transferable common share purchase warrant. Each full warrant shall be exercisable into one common share for 24 months at an exercise price of \$0.35 per share.

On March 7, 2018, the Company completed a private placement for gross proceeds of \$250,000 through the issuance of 1,000,000 common shares.

During the year ended December 31, 2018, the Company settled convertible debentures and related interest payable owing to a lender through a cash payment of \$101,696 and issuance of 134,461 common shares at a price of \$0.38 per share. The fair value of the shares issued was \$42,110 and a gain of \$18,081 was recognized on settlement.

During the year ended December 31, 2018, 45,000 warrants were exercised at a price of \$0.1875 CAD per warrant for proceeds of \$8,438.

During the year ended December 31, 2018, 897,116 shares were issued at with a fair value of \$147,482 to settle accounts payable amounts owing to various lenders of \$190,920, resulting in a gain of \$43,438.

(c) Warrants

During the year ended December 31, 2015, as amended December 21, 2016, the Company issued 1,250,000 special warrants in accordance with a loan agreement with a group of lenders for gross proceeds of \$750,000. The special warrants automatically convert into warrants of a Special Purpose Operating Company ("SPOC") following a RTO. These 1,250,000 special warrants were converted on January 26, 2018 into 1,250,000 warrants of the Company at an exercise price of \$0.1875 per share for five years.

During the year ended December 31, 2018, the Company issued 650,000 warrants with an exercise price of \$0.34 to an advisor as a finders' fee, and 2,914,622 warrants with an exercise price of \$0.1836 per share to the owners of ImpressionX as purchase consideration (note 7). These warrants have a fair value of \$36,699 and \$388,919, respectively. The warrants issued to the owners of ImpressionX vest two years following the date of issuance.

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9. SHARE CAPITAL (Continued)

(c) Warrants (Continued)

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2017	1,250,000	\$ 0.1250
Issued	9,038,713	0.2700
Converted	(1,250,000)	0.1250
Exercised	(45,000)	0.1875
Outstanding, December 31, 2018	8,993,713	\$ 0.2700
Exercised	(130,000)	0.3461
Outstanding, March 31, 2019	8,863,713	\$ 0.2700

The following warrants were outstanding at March 31, 2019:

Grant Date	Expiry Date	Exercise Price	Number of Warrants	Exercisable
January 26, 2018	January 26, 2023	\$ 0.1875	1,205,000	1,205,000
December 18, 2018	December 18, 2020	\$ 0.3400	650,000	650,000
December 18, 2018	December 18, 2023	\$ 0.1836	2,914,622	-
January 26, 2018	January 26, 2020	\$ 0.3460	4,094,091	4,094,091
			8,863,713	5,949,091

The weighted average contractual life of warrants as at December 31, 2018 is 2.58 years (December 31, 2018 - 2.80 years).

Some of the Company's warrants with a \$CAD exercise price have been recognized as a derivative liability as they did not meet the "fixed-for-fixed" criteria. The following is a summary of the Company's warrant derivative liabilities as at March 31, 2019 and December 31, 2018:

Balance, December 31, 2017	234,000
Warrants issued in business combination	388,919
Change in fair value of derivative liability	(85,438)
Functional currency translation adjustment	17,577
Balance, December 31, 2018	\$ 555,058
Functional currency translation adjustment	(8,265)
Balance, March 31, 2019	\$ 546,793

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9. SHARE CAPITAL (Continued)

(d) Stock Options

Options transactions and the number of options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2017	-	\$ -
Granted	10,525,064	0.23
Outstanding, December 31, 2018	10,525,064	\$ 0.23
Exercised	(362,500)	0.20
Expired	(387,500)	0.20
Outstanding, December 31, 2018	9,775,064	\$ 0.18

The Company issued 2,545,064 finders' options in connection with the private placement in January 2018. All finders' options are exercisable at \$0.25 per share until January 26, 2020 (note 10).

On January 30, 2018, the Company granted 5,525,000 stock options to various consultants, directors and officers of the Company. These stock options vest 25% on May 26, 2018, 25% on September 26, 2018, 25% January 26, 2019 and the remaining 25% on May 26, 2019. These stock options have an exercise price of \$0.25 per share and expire on January 30, 2023.

When the Company issues stock options, it records a share-based compensation in the year or period which the options are granted and/or vested. The expense is estimated using the following assumptions. Due to the lack of historical pricing information for the Company, the expected volatility is based on an average of historical prices of a comparable group of companies within the same industry. The risk-free interest rate is based on yield curves on Canadian government zero coupon bonds with a remaining term equal to the expected life of the stock options. The Company used historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares. Based on the best estimate, management applied the estimated forfeiture rate of 0%.

The fair value of the options granted in January 2018 was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	2.01%
Expected term (in years)	5
Estimated dividend yield	0%
Weighted-average estimated volatility	79.61%

GOOD LIFE NETWORKS INC.**Notes to the Condensed Consolidated Interim Financial Statements****Three Months ended March 31, 2019 and 2018****(Unaudited)****(Expressed in Canadian Dollars)****9. SHARE CAPITAL (Continued)**(d) **Stock Options (Continued)**

On December 18, 2018, the Company granted 1,705,000 stock options to various consultants, directors and officers of the Company. These stock options vest 50% on April 18, 2019, and the remaining 50% on August 18, 2019. These stock options have an exercise price of \$0.15 per share and expire on December 18, 2023. The fair value of these options was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.93%
Expected term (in years)	5
Estimated dividend yield	0%
Weighted-average estimated volatility	72.80%

For the three months ended March 31, 2019, the Company recognized share-based compensation of \$153,014 (March 31, 2018 - \$488,830) relating to the stock options that vested during the period. During year ended December 31, 2018, the Company also deemed granted 750,000 replacement stock options to Exito shareholders. (see note 10). The options expire on January 26, 2019 which is one year after the Transaction closed. The options were exercised subsequent to year end.

The following options were outstanding at March 31, 2019:

Grant Date	Expiry Date	Exercise Price	Number of Options	Exercisable
January 26, 2018	January 26, 2020	\$ 0.25	2,545,064	2,545,064
January 30, 2018	January 30, 2023	\$ 0.25	5,525,000	4,143,750
December 18, 2018	December 31, 2023	\$ 0.15	1,705,000	-
			9,775,064	6,688,814

The weighted average contractual life for the remaining options as at December 31, 2018 is 3.73 years (December 31, 2018 - 3.22 years).

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10. REVERSE TAKE OVER OF EXITO

On January 26, 2018, the Company closed the arrangement with Exito (note 1). The Transaction was considered an RTO since the legal acquiree is the accounting acquirer, as the former shareholders of GLN obtain a controlling interest of the resulting entity after the completion of the Transaction.

The following summarizes the reverse takeover of Exito by GLN and the assets acquired and the liabilities assumed on January 26, 2018, the amalgamation date:

Net tangible assets (estimated fair value) acquired:	
Cash and cash equivalents	\$ 67,994
Accounts receivable	9,365
Notes receivable	25,000
	<hr/>
	\$ 102,359
Consideration paid:	
Shares Good Life Network Inc. deemed issued	\$ 1,000,000
Options issued to Exito shareholders	126,000
	<hr/>
	\$ 1,126,000

At the time of the Transaction, Exito's assets consisted primarily of cash and accounts receivable, and it did not have any processes capable of generating outputs; therefore, Exito did not meet the definition of a business. Accordingly, as Exito did not qualify as a business in accordance with IFRS 3 *Business Combinations*, the amalgamation did not constitute a business combination; however, by analogy it has been accounted for as an RTO. Therefore, GLN, the legal subsidiary, has been treated as the accounting parent company, and Exito, the legal parent, has been treated as the accounting subsidiary.

As the acquisition was not considered a business combination, the excess value of consideration paid over the net assets acquired together with the estimated fair value of 750,000 options granted to Exito shareholders, and additional transaction costs are expensed as a listing fee.

The fair value of the common shares amounted to \$1,000,000, based on the shares issued in a concurrent financing of the Company's common shares at the time of the transaction of \$0.25 per share. The fair values of the stock options were determined using the Black-Scholes option pricing model with the following weighted average assumptions: exercise price – \$0.20, expected life – 1 year, volatility – 180%, risk-free rate – 1.77%, and dividend yield – 0%.

Consideration paid	\$ 1,126,000
Net tangible assets acquired	(102,359)
Additional transaction costs	1,294,377
	<hr/>
Listing fee	\$ 2,318,018

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Notes to the Condensed Consolidated Interim Financial Statements

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11. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2019 the Company provided a series of working capital loans totaling \$78,016 (December 31, 2018 - \$Nil) to a Company controlled by a director. These loans do not bear interest and have no repayment terms.

As at March 31, 2019, \$162,708 (December 31, 2018 - \$Nil) is due from an officer.

During the three months ended March 31, 2019, the Company paid transaction costs in connection to the RTO of \$Nil (2018 - \$613,438) to directors and companies controlled by directors.

During the three months ended March 31, 2019, the Company paid share-issuance costs of \$Nil (2018 - \$172,970) to a company controlled by a director.

At March 31, 2019, included in accounts payable and accrued liabilities was (\$413) (December 31, 2018 - \$413) owing to officers and directors. Included in accounts receivable is \$Nil (December 31, 2018 - \$137,908) advanced to an officer. The amounts due to or from related parties are without stated terms of repayment or interest.

These transactions are in the normal course of business and have been valued in these unaudited condensed consolidated interim financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key management compensation

The compensation paid or payable to key management personnel during the three months ended March 31, 2019 and 2018 were as follows:

	Three months ended	
	March 31, 2019	March 31, 2018
Salaries and short-term employee benefits	\$ 355,207	\$ 386,283
Share-based compensation	\$ 105,431	\$ 307,454

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Three months ended	
	March 31, 2019	March 31, 2018
Additional Information		
Shares issued for convertible notes	\$ -	\$ 42,110
Interest paid on promissory note	-	18,858
Gain on settlement of accounts payable	(23,120)	8,454
Gain on settlement of convertible debt	-	18,081

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13. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment: digital branding and advertising. 10% of its long-term assets are held in Canada and 90% are located in USA; 100% of its revenues are earned from United States customers.

14. OTHER LIABILITIES AND CONTINGENCIES

	March 31, 2019	December 31, 2018
Legal fees - others	434,931	434,931
Total	\$ 434,931	\$ 434,931

Lerna Promissory Note

On April 22, 2015, the Company issued a secured promissory note in the amount of US \$150,000 to Lerna, LLC ("Lerna") as part of the acquisition of AmpMobile. The promissory note has a term of one year and interest of 24% per annum. Repayments are based on the net cash flow of the AmpMobile division. Management is in dispute over the promissory note that became due April 22, 2016 with Lerna, as the transaction with Lerna was never completed and thus the amount remains unpaid.

On March 30, 2016, the Company entered into a secured and subordinated loan agreement (the "Loan Agreement") with Lernalabs Ltd. ("Lernalabs"), a company incorporated in Cyprus, and related to Lerna, pursuant to which Lernalabs agreed to loan to the Company an aggregate principal of up to US \$1,000,000. Pursuant to the Loan Agreement, Lernalabs has advanced US \$453,165 to the Company by way of promissory notes. In addition, US \$66,500 was received by the Company for which no promissory note has been issued.

Concurrent with the Loan Agreement, the Company entered into a consulting services agreement (the "Consulting Services Agreement") with Lernalabs pursuant to which Lernalabs agreed to provide consulting services to the Company for a term of three years commencing March 1, 2016 in exchange for a payment of US \$1,500,000 due on the date that is the later of (i) 13 months from the date of listing of the Company's shares for trading on an exchange (as defined in the agreement); and (ii) 18 months from March 1, 2016. The Consulting Services Agreement also provides that the Company will pay Lernalabs a monthly fee of US \$15,000. The Company terminated the Consulting Services Agreement on August 17, 2016.

In December 2016, the Company filed a civil claim against, among others, Lerna, Lernalabs and the lawyers responsible for negotiating the various agreements with Lerna and Lernalabs (the "Claim"). The Company asserts that Lerna breached the terms of the AmpMobile asset purchase agreement and further they were misrepresented into entering into the Loan Agreement and Consulting Services Agreement with Lernalabs.

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14. OTHER LIABILITIES AND CONTINGENCIES (Continued)

Accordingly, pursuant to the Claim, the Company is seeking the following relief:

- Recovery of any amounts paid to Lerna with respect to the AmpMobile asset purchase agreement and cancellation of any future obligations with respect thereto;
- Rescission of the Loan Agreement and Consulting Services Agreement with Lernalabs and recovery of any amounts paid pursuant to the Consulting Services Agreement; and
- Recovery of costs associated with the various agreements, including legal fees.

On January 4, 2017, Lerna filed a civil claim against the Company with respect to the AmpMobile asset purchase agreement. Lerna is seeking payment for the promissory note principal in the amount of US \$150,000 issued to the Company and interest accrued at 24% per annum. Management of the Company had accrued amounts for loan principal in promissory notes and interest in interest payable at December 31, 2017. During the year ended December 31, 2018, the Company paid cash of \$1,020,440 to settle the amounts owing to Lerna and Lernalabs, and is seeking to dismiss any claims against the Company.

The Company's Claim remains active. Whilst management believes the Company has reasonable defense to the debt claim from Lerna and reasonable arguments to support the Claim, the outcome of these legal proceedings cannot be determined at March 31, 2019 and no additional amounts have been accrued.

During the year ended December 31, 2018, the Company incurred \$159,776 in legal fees in connection with the repayment of the promissory notes.

As at March 31, 2019 and December 31, 2018, a payable of \$434,931 remains outstanding which is due to the lawyers responsible for negotiating the various agreements with Lerna and Lernalabs.

15. DEPOSITS

The Company paid deposits amounting to \$2,712,149 with respect to an agreement with a third party to research, design and develop a software platform for the Company's advertising technology to be used in mobile phone applications. During the period ended March 31, 2019, the Company expensed \$Nil. During year ended December 31, 2018, the Company expensed \$614,000 for research services rendered.

16. LEASES

The Company entered into a lease agreement for office space for a term of three years commencing February 1, 2017 to January 31, 2020. Accordingly, a lease asset and liability of \$107,069 was recorded as of January 1, 2019 based on a discount rate of 5%. The rent expense to be incurred in the next twelve months is \$84,783.

	March 31, 2019
Lease liabilities, beginning of period	\$ 107,069
Interest on lease liabilities	727
Lease payments	(25,435)
Balance, lease liability and right-of-use asset	\$ 82,361

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Amortization recorded during the three months ended March 31, 2019, and 2018 is as follows:

	2019	2018
Equipment	\$ 6,878	\$ 2,084
Intangible assets (note 5)	288,336	-
Lease asset (note 16)	24,708	-
	\$ 319,922	\$ 2,084

18. SUBSEQUENT EVENTS

- (a) On April 10, 2019, the Company entered into a binding letter of intent to acquire all of the issued and outstanding equity units of mPlore LLC, a leading mobile content delivery platform. Good Life Networks will acquire the units for an aggregate purchase price of \$7-million (U.S.), subject to adjustments.
- (b) Subsequent to March 31, 2019, 130,000 shares were issued for the 130,000 warrants exercised a price of \$0.3461 CAD per warrant for proceeds of \$44,993, during the three months ended March 31, 2019.
- (c) Subsequent to March 31, 2019, 213,330 warrants were exercised at \$0.3461 per warrant for total proceeds of \$73,834 and 1,250,405 options were exercised at \$0.25 per option for total proceeds of \$312,692.