DISCOURSE MEDIA INC.

Financial Statements

December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To The Director
Discourse Media Inc.

We have audited the accompanying financial statements of Discourse Media Inc., which comprise the balance sheet as at December 31, 2016, and the statements of earnings, deficit and cash flows for the 345-day period ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Discourse Media Inc. as at December 31, 2016, and its financial performance and its cash flows for the year ended and December 31, 2016 is in accordance with Canadian accounting standards for private enterprises.

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CHARTERED PROFESSIONAL ACCOUNTANTS

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October 13, 2017

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DISCOURSE MEDIA INC.

STATEMENT 1

STATEMENT OF EARNINGS

Year Ended December 31, 2016

		Actual 2016
Revenue	$	551,917
Cost of goods sold		495,043
Gross profit		56,874
General and administrative expenses		
Advertising and promotion		106
Amortization		8,044
Bank charges and interest		1,448
Insurance		3,196
Licences, dues and subscriptions		1,145
Meals and entertainment		4,361
Office		19,306
Professional fees		17,198
Rent		22,683
Telephone		3,671
Wages and benefits		60,386
		141,544
Net loss for the year	**$**	**(84,670)**

DISCOURSE MEDIA INC.

STATEMENT 2

STATEMENT OF DEFICIT

Year Ended December 31, 2016

		Actual 2016
Retained earnings, beginning of year	$	-
Net loss for the year		(84,670)
Deficit, end of year	**$**	**(84,670)**

DISCOURSE MEDIA INC. **STATEMENT 3**
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

		Actual 2016
Cash flows from (for) operating activities:		
Net loss for the year	$	(84,670)
Items not requiring an outlay of funds		
Amortization		8,044
		(76,626)
Changes in non-cash working capital		
Increase in accounts receivable		(44,910)
Increase in accounts payable and accrued liabilities		16,298
Increase in deferred revenue		113,407
Increase in government agencies payable		11,502
		19,671
Cash flows from (for) financing activities:		
Advances from shareholder		71,678
Cash flows from (for) investing activities:		
Purchase of intangible assets		(40,220)
Increase in cash		51,129
Cash, beginning of year		-
Cash, end of year	**$**	**51,129**

DISCOURSE MEDIA INC.

STATEMENT 4

BALANCE SHEET
December 31, 2016

		Actual 2016
ASSETS		
Current:		
Cash	$	51,129
Accounts receivable		44,910
		96,039
Intangible Assets - note 2		32,176
	$	**128,215**
LIABILITIES AND SHAREHOLDER'S DEFICIENCY		
Current:		
Accounts payable and accrued liabilities	$	16,297
Deferred revenue		113,407
Government agencies payable		11,502
		141,206
Due to shareholder - note 3		71,678
		212,884
Shareholder's deficiency		
Share capital - note 4		1
Deficit		(84,670)
	$	**128,215**

On behalf of the Board

_______________ Director

Oct 13, 2017 Date

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STATUTES OF INCORPORATION AND NATURE OF BUSINESS

The Company was incorporated under the laws of the Province of British Columbia on January 20, 2016. Its main business activity is to write and sell journalism articles about complex issues across Canada.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting standards for private enterprises and include the following significant accounting policies:

Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts in the amount of $Nil.

Revenue Recognition

The Company recognizes revenue from contracts based on agreed upon terms, as a percentage of the work is completed, and collectability from the customer is reasonably assured. Billings in advance of the performance of services are recorded as deferred revenue. Revenue earned from grants is recognized as funds are received.

Intangible Assets

Intangible assets consist of website development costs and are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized over their estimated useful life of five years. 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.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment when events and circumstances indicate that cost may not be recoverable. Impairment exists when the carrying value of an asset is greater than the undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over its fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Risk Management

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. The Company is exposed to credit risk from their customers. The Company perform credit risk evaluations on its customers and consider their risk to be acceptable and appropriately managed.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to liquidity risk in meeting its obligations associated with financial liabilities, which is dependent on receipt of funds from operations and shareholder loans where needed.

Financial Instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions, which are measured in accordance with CPA Canada Handbook Part II Section 3840 - Related Party Transactions. The Company subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and due to shareholder.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of write-down would be recognized in net loss. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjsuting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal will be recognized in net loss.

Transaction costs

The Company recognizes its transaction costs in net earnings in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net Book Value
Website development costs	$ 40,220	$ 8,044	$ 32,176

3. DUE TO SHAREHOLDER

The Company has advances payable to its principal shareholder. The advances carry no specific provision for interest or repayment. The shareholder has stated that they will not request repayments within the next fiscal year. Accordingly the amount is classified as long-term.

4. SHARE CAPITAL

		2016
Issued and fully paid:		
100 Class A Common Shares	**$**	**1**

5. INCOME TAXES

The Company has approximately $76,452 in unused tax losses for 2016 available to offset future taxable income subject to certain provisions of the Income Tax Act.

6. LEASE COMMITMENTS

As at December 31, 2016, the Company has an outstanding lease agreement maturing in 2017 and has a present value of minimum lease payments of $21,574 due for the upcoming year.

7. SUBSEQUENT EVENTS

Subsequent to year-end, the Company has exchanged the original 100 issued and outstanding Class A Common shares, into 4,000,000 Class A Common shares on a basis of 1 old Class A Common share for 40,000 new Class A Common shares.

Subsequent to year-end, the Company received convertible promissory notes. The convertible promissory notes were issued for gross proceeds of $250,000 repayable on or before October 13, 2020. Interest shall accrue at 5% per annum calculated monthly. At any time prior to maturity, the lender may elect to convert all or any portion of the principal amount outstanding plus interest accrued to conversion date at the lower of:

(a) a price of $0.87 per share;
(b) an amount specified by the borrower in its sole discretion; or
(c) if converted within 90 days of closing of a share offering, the price per share of the applicable share offering.