Interim Condensed Consolidated Financial Statements
(Expressed in U.S. dollars)

FRANKLY INC.

(INCORPORATED UNDER THE LAWS OF ONTARIO)

For the three and six month periods ended June 30, 2016 and 2015

FRANKLY INC.

Interim Condensed Consolidated Statements of Financial Position
As at

(Expressed in U.S. dollars)

	Note	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Assets			
Current assets			
Cash		$ 4,332,214	$ 7,554,128
Accounts receivable, net	6	2,921,264	3,114,146
Prepaid expenses and other current assets		1,168,775	1,467,934
Total current assets		**8,422,253**	**12,136,208**
Property & equipment, net	7	1,794,423	2,133,372
Software development costs, net	8	5,943,346	4,366,338
Intangible assets, net	9	8,072,220	8,508,888
Goodwill	9	22,756,581	22,756,581
Other assets		263,388	364,985
Total assets		$ **47,252,211**	$ **50,266,372**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued expenses		$ 3,695,514	$ 4,167,326
Deferred revenue		165,024	161,999
Promissory notes	11	15,000,000	15,000,000
Revolving credit facility	10	1,950,000	1,950,000
Capital leases, current portion	17	184,121	195,940
Total current liabilities		**20,994,659**	**21,475,265**
Capital leases, non-current portion	17	120,042	208,083
Deferred rent		46,299	32,410
Other liabilities		75,104	49,566
Total liabilities		**21,236,104**	**21,765,324**
Shareholders' equity			
Share capital	12 (a)	60,376,338	60,376,338
Contributed surplus	12 (b,c)	3,313,295	2,729,726
Accumulated other comprehensive income		22,363	20,076
Accumulated deficit		(37,695,889)	(34,625,092)
Total shareholders' equity		**26,016,107**	**28,501,048**
Total liabilities and shareholders' equity		$ **47,252,211**	$ **50,266,372**

Going concern (Note 1)
Commitments and contingencies (Note 18)
Subsequent events (Note 20)

Approved by the Board of Directors on August 23, 2016: Choong Sik Hyun Joseph Fiveash

See accompanying notes to the interim condensed consolidated financial statements.

FRANKLY INC.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

(Expressed in U.S. dollars)

	Three month period ended		Six month period ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue				
License fees	$ 2,611,489	$ -	$ 5,233,877	$ -
Video usage fees	499,491	-	1,030,485	-
National advertising	1,094,066	-	2,138,424	-
Local advertising	513,892	-	969,472	-
Local ad serving	236,570	-	435,361	-
Other revenue	292,110	8,893	660,269	68,154
Total revenue	**5,247,618**	**8,893**	**10,467,888**	**68,154**
Expenses				
Salaries and benefits, net of capitalized software	2,710,645	1,296,573	5,597,997	2,371,491
Technology related costs	1,269,698	310,068	2,472,336	500,153
Professional fees	182,374	407,829	379,835	679,752
Consulting fees, net of capitalized software	177,934	223,386	366,756	446,954
Advertising and marketing	176,166	112,998	206,002	345,765
Office and administration	748,530	277,572	1,448,833	547,615
Other	9,169	30,944	13,647	60,164
Revenue sharing expense	83,178	-	83,178	-
Business acquisition related costs	(3,011)	-	(3,011)	-
Integration expenses	-	-	163,065	-
Sales tax settlement	-	-	178,147	-
Stock based compensation	311,571	285,150	583,569	470,702
Depreciation and amortization	803,763	24,720	1,599,019	37,754
Loss on disposal of assets	-	-	1,093	-
Finance costs:				
Foreign exchange loss (gain)	(867)	(9,636)	2,655	(6,847)
Interest expense, net	220,838	-	441,774	2
Total expenses	**6,689,988**	**2,959,604**	**13,534,895**	**5,453,505**
Loss before income taxes	**(1,442,370)**	**(2,950,711)**	**(3,067,007)**	**(5,385,351)**
Income taxes	580	800	3,790	800
Net loss for the period	**$ (1,442,950)**	**$ (2,951,511)**	**$ (3,070,797)**	**$ (5,386,151)**
Other comprehensive income (loss)				
Foreign currency translation of foreign operations	(601)	(7,207)	2,287	(12,332)
Comprehensive loss for the period	**$ (1,443,551)**	**$ (2,958,718)**	**$ (3,068,510)**	**$ (5,398,483)**
Basic and diluted loss per share (Note 15)	**$ (0.04)**	**$ (0.13)**	**$ (0.10)**	**$ (0.24)**
Weighted average number of common shares outstanding				
Basic and diluted	32,093,331	22,062,949	32,093,331	22,060,335

See accompanying notes to the interim condensed consolidated financial statements.

FRANKLY INC.

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(Expressed in U.S. dollars)

	Share Capital						
	Common Shares	Class A Restricted Voting Shares	Amount	Contributed Surplus	Translation Reserve	Accumulated Deficit	Total Shareholders' Equity
Balance, January 1, 2016	**21,998,304**	**10,095,027**	**$ 60,376,338**	**$ 2,729,726**	**$ 20,076**	**$ (34,625,092)**	**$ 28,501,048**
Stock based compensation	-	-	-	583,569	-	-	583,569
Loss for the period	-	-	-	-	2,287	(3,070,797)	(3,068,510)
Balance, June 30, 2016	**21,998,304**	**10,095,027**	**$ 60,376,338**	**$ 3,313,295**	**$ 22,363**	**$ (37,695,889)**	**$ 26,016,107**

	Share Capital						
	Common Shares	Class A Restricted Voting Shares	Amount	Contributed Surplus	Translation Reserve	Accumulated Deficit	Total Shareholders' Equity
Balance, January 1, 2015	**21,695,321**	**362,401**	**47,025,501**	**1,762,706**	**53,592**	**(21,722,504)**	**27,119,295**
Refund of cost of issuance of common shares	-	-	234	-	-	-	234
Exercise of options	37,959	-	68,925	(25,454)	-	-	43,471
Stock based compensation	-	-	-	470,702	-	-	470,702
Loss for the period	-	-	-	-	(12,332)	(5,386,151)	(5,398,483)
Balance, June 30, 2015	**21,733,280**	**362,401**	**$ 47,094,660**	**$ 2,207,954**	**$ 41,260**	**$ (27,108,655)**	**$ 22,235,219**

See accompanying notes to the interim condensed consolidated financial statements.

FRANKLY INC.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

(Expressed in U.S. dollars)

		Six month period ended		
		June 30, 2016		June 30, 2015
Cash flows from operating activities:				
Loss for the period	$	**(3,070,797)**	$	**(5,386,151)**
Adjustment for non-cash items:				
Depreciation and amortization		1,599,019		37,754
Loss on disposal of assets		1,093		-
Sales tax settlement		178,147		-
Unrealized foreign exchange loss		-		254
Stock-based compensation expense		583,569		470,702
Changes in non-cash working capital and other items:				
Accounts receivable		192,882		(278,704)
Due from related parties		-		4,620
Prepaid expenses and other current assets		130,533		(327,512)
Other assets		101,597		(40,000)
Accounts payable and accrued expenses		(476,920)		(1,530,628)
Due to related parties		-		20,953
Deferred revenue		3,025		-
Deferred rent and other liabilities		39,428		-
Net cash (used in) operating activities		**(718,424)**		**(7,028,712)**
Cash flows from investing activities:				
Purchases of property & equipment		(32,019)		(29,564)
Capitalized software costs		(2,371,596)		-
Purchases of intangible assets		-		(278,275)
Proceeds from disposal of equipment		2,111		-
Net cash (used in) investing activities		**(2,401,504)**		**(307,839)**
Cash flows from financing activities:				
Capital lease payments		(99,860)		-
Exercise of options		-		43,471
Net cash provided by (used in) financing activities		**(99,860)**		**43,471**
Effect of exchange rate changes on cash		(2,126)		265,160
Net change in cash		**(3,221,914)**		**(7,027,920)**
Cash at beginning of period		**7,554,128**		**28,839,964**
Cash at end of period	$	**4,332,214**	$	**21,812,044**
Cash paid for interest	$	442,018	$	2
Cash paid for income taxes	$	3,790	$	800

See accompanying notes to the interim condensed consolidated financial statements.

1. Description of business and going concern:

Frankly Inc. ("Frankly"), formerly named WB III Acquisition Corp. ("WB III"), was incorporated under the laws of the Province of Ontario on June 7, 2013. The address of the registered office of Frankly is 5 Hazelton Ave, Suite 300 Toronto ON M5R 2E1. These interim condensed consolidated financial statements include Frankly and its subsidiaries (Frankly Co. and Frankly Media LLC), together referred to as the "Company". The Company provides an integrated software platform for brands and media companies to create, distribute, analyze and monetize their content across all of their digital properties on web, mobile, and TV.

WB III was initially classified as a Capital Pool Company ("CPC"), as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange") Corporate Finance Manual. On December 23, 2014, WB III Subco Inc., a wholly owned subsidiary of WB III, merged with TicToc Planet Inc. ("TicToc"). The transaction was structured as a reverse triangular merger under the Delaware General Corporation Law, as a result of which TicToc became a wholly owned subsidiary of WB III. Subsequent to the transaction, WB III changed its name to Frankly Inc. and TicToc's name was changed to Frankly Co. Frankly Co. was incorporated in the state of Delaware on September 10, 2012 and is located in San Francisco, California.

As a result of the transaction described above, the former shareholders of TicToc acquired control of the Company as they owned the majority of the outstanding shares of the Company upon completion of the merger transaction. This transaction resulted in TicToc being identified as the accounting acquirer and the net assets of WB III being recorded at fair value at the date of the transaction. Consequently, the historical results of operations up to the date of the merger are those of TicToc.

On August 25, 2015, the Company completed the purchase of the outstanding units of Gannaway Web Holdings LLC, operating as Worldnow (“Worldnow”). Subsequent to the acquisition, Worldnow changed its name to Frankly Media LLC (“Frankly Media”).

Frankly Media is a solutions service provider which provides digital publishing software as a service and related advertising services for local media sites on the internet. Frankly Media’s software enables site owners to design, build, and host sites to publish local content and information on digital platforms.

Today, Frankly Co. and Frankly Media have effectively integrated their operations into one, bringing together the two separate businesses under one unified management and operational team focused on the core market of local TV broadcasters, with all staff singularly focused on the mission of helping local media companies create, distribute, analyze and monetize their digital contents across all devices and platforms. Frankly’s website publishing and management system (the Producer) allows the customer to manage media assets on all digital platforms and interact with its consumers. Frankly also sources national and local advertising for its customers to distribute over multiple consumer devices. Additionally, Frankly licenses or provides other technologies and services.

1. Description of business and going concern: (continued)

These interim condensed consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. Since its incorporation, the Company has had recurring losses and has negative cash flows from operating activities. For the six month period ended June 30, 2016, the Company incurred losses of $3,070,797 (2015 – $5,386,151), cash used in operating activities of $718,424 (2015 – $7,028,712) and as at June 30, 2016 has an accumulated deficit of $37,695,889 (December 31, 2015 – $34,625,092). These conditions have resulted in material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern into the foreseeable future.

While management believes that the use of the going concern assumption is appropriate, the ability of the Company to continue as a going concern is dependent upon its ability to achieve sustainable profitable operations. There are various risks and uncertainties affecting the Company including, but not limited to, concentration of business among customers in the media and broadcasting industries, which may be affected by consolidation and adverse economic factors impacting that industry; the market acceptance and rate of commercialization of the Company's messaging products, its ability to successfully execute on its development and commercialization plan; and general economic conditions, some of which are beyond the Company's control.

There can be no assurances that the Company will be successful in achieving profitable operations or that it will be able to raise additional cash needed to finance operations, if required. These interim condensed consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Basis of presentation:

These unaudited interim condensed consolidated financial statements (“interim financial statements”) have been prepared in accordance with IAS 34 “Interim Financial Reporting” (“IAS 34”). These interim financial statements do not include all disclosures required by International Financial Reporting Standards (“IFRS”) for annual audited consolidated financial statements and accordingly should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2015 prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

The accounting policies applied in these interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2015. There have been no changes to the accounting policies applied in those consolidated financial statements.

2. Basis of presentation: (continued)

These interim financial statements include the accounts of Frankly and its subsidiaries. A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A subsidiary is included in the consolidated financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated upon consolidation. Frankly and its subsidiaries have a reporting date of December 31.

The following companies have been consolidated within these interim condensed consolidated financial statements:

Company	Registered	% of ownership and voting rights	Principal activity	Functional currency
Frankly Inc.	Canada	n/a	Corporate and holding	CAD
Frankly Co.	United States of America	100%	Software development and servicing	USD
Frankly Media	United States of America	100%	Digital publishing software and advertising	USD

These interim financial statements were approved for issue by the Board of Directors of the Company on August 23, 2016.

3. Future changes in accounting policies:

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory at certain future dates. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company:

(i) IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 was published in July 2014 and replaces the existing guidance in IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) IFRS 7, Financial Instruments: Disclosures (“IFRS 7”):

IFRS 7 has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018.

3. Future changes in accounting policies: (continued)

(iii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 was issued by the IASB in May 2014 and replaces existing revenue recognition guidance including IAS 18, Revenue, IAS 11, Construction Contracts, and IFRIC 13, Customer Loyalty Programmes. This standard establishes a comprehensive model to address the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. This standard is mandatorily effective for annual reporting periods beginning on or after January 1, 2018.

(iv) IFRS 16, Leases (“IFRS 16”):

IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

4. Significant judgments, estimates, and assumptions:

The preparation of these interim financial statements requires the use of certain significant accounting estimates and judgment by management in applying the Company’s accounting policies. The areas involving significant judgment and estimates have been set out in Note 5 of the Company’s annual audited consolidated financial statements for the year ended December 31, 2015. Actual results could differ from the estimates made by management.

5. Operating segment information:

The Company has one operating segment which provides white-labeled content and chat platforms to media companies and brands that use the Company’s technology to get their content onto multi-screen devices, and the Company’s chat platforms to increase social interaction on those multi-screen experiences. As at June 30, 2016 and December 31, 2015, all of the Company's long-term assets were located in the United States of America.

All of the Company’s revenues for the three and six month periods ended June 30, 2016 and 2015 were earned in the United States of America.

The Company's chief operating decision maker is the Chief Executive Officer ("CEO"). The CEO evaluates performance and makes operating decisions and allocates resources based on financial data that is consistent with that presented in these interim condensed consolidated financial statements.

6. Accounts receivable, net:

The following table summarizes the balance of accounts receivable, net as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Accounts receivable	$ 2,963,237	$ 3,171,869
Allowance for doubtful accounts	(41,973)	(57,723)
	$ 2,921,264	$ 3,114,146

Bad debt write-offs of $15,750 were recorded during the six month period ended June 30, 2016 (2015 - $Nil).

7. Property and equipment, net:

The following table summarizes the changes in property and equipment, net, including assets held under capital lease, for the six month period ended June 30, 2016:

	Leasehold improvements	Office equipment & software	Total
Cost:			
Balance at Jan 1, 2016	$ 578,782	1,933,615	2,512,397
Additions	-	32,019	32,019
Write-off of assets	-	(4,610)	(4,610)
Balance before depreciation	**578,782**	**1,961,024**	**2,539,806**
Accumulated depreciation:			
Balance at Jan 1, 2016	(43,988)	(335,037)	(379,025)
Depreciation	(54,226)	(313,538)	(367,764)
Write-off of assets	-	1,406	1,406
Total accumulated depreciation	**(98,214)**	**(647,169)**	**(745,383)**
Net book value as at June 30, 2016	$ **480,568**	$ **1,313,855**	$ **1,794,423**

The following table summarizes the changes in property and equipment, net, including assets held under capital lease, for the year ended December 31, 2015:

	Leasehold improvements	Office equipment & software	Total
Cost:			
Balance at Jan 1, 2015	$ -	$ 115,268	$ 115,268
Additions	195,884	203,507	399,391
Acquisition of Worldnow	382,898	1,620,005	2,002,903
Write-off of assets	-	(5,165)	(5,165)
Balance before depreciation	**578,782**	**1,933,615**	**2,512,397**
Accumulated depreciation:			
Balance at Jan 1, 2015	-	(43,061)	(43,061)
Depreciation	(43,988)	(295,017)	(339,005)
Write-off of assets	-	3,041	3,041
Total accumulated depreciation	**(43,988)**	**(335,037)**	**(379,025)**
Net book value as at December 31, 2015	$ **534,794**	$ **1,598,578**	$ **2,133,372**

Depreciation expense for assets held under capital lease was $82,124 for the six month period ended June 30, 2016 (2015 – $Nil).

The net carrying value of assets held under capital lease was $486,470 and $568,594 as at June 30, 2016 and December 31, 2015, respectively.

8. Software development costs, net:

The following table summarizes the changes in software development costs, net for the six month period ended June 30, 2016:

		Total
Cost:		
Balance at Jan 1, 2016	$	4,834,073
Additions - internally generated		2,371,596
Balance before amortization		**7,205,669**
Accumulated amortization:		
Balance at Jan 1, 2016		(467,735)
Amortization		(794,588)
Total accumulated amortization		**(1,262,323)**
Net book value as at June 30, 2016	$	**5,943,346**

The following table summarizes the changes in software development costs, net for the year ended December 31, 2015:

		Total
Cost:		
Balance at Jan 1, 2015	$	-
Acquisition of Worldnow		4,000,000
Additions - internally generated		843,597
Write-off of assets		(9,524)
Balance before amortization		**4,834,073**
Accumulated amortization:		
Balance at Jan 1, 2015		-
Amortization		(467,735)
Total accumulated amortization		**(467,735)**
Net book value as at December 31, 2015	$	**4,366,338**

Amortization of software development costs is presented within depreciation and amortization on the interim condensed consolidated statements of loss and comprehensive loss.

9. Intangible assets, net and goodwill:

The following table summarizes the changes in intangible assets, net for the six month period ended June 30, 2016:

	Broadcast Relationships	Advertiser Relationships	Total
Cost:			
Balance at Jan 1, 2016	$ 7,600,000	$ 1,200,000	$ 8,800,000
Additions	-	-	-
Balance before amortization	**7,600,000**	**1,200,000**	**8,800,000**
Accumulated amortization:			
Balance at Jan 1, 2016	(211,112)	(80,000)	(291,112)
Amortization	(316,668)	(120,000)	(436,668)
Total accumulated amortization	**(527,780)**	**(200,000)**	**(727,780)**
Net book value as at June 30, 2016	**$ 7,072,220**	**$ 1,000,000**	**$ 8,072,220**

The following table summarizes the changes in intangible assets, net for the year ended December 31, 2015:

	Muzy	GetSocial	Broadcast Relationships	Advertiser Relationships	Total
Cost:					
Balance at Jan 1, 2015	$ -	$ -	$ -	$ -	$ -
Additions	100,000	228,275	-	-	328,275
Acquisition of Worldnow	-	-	7,600,000	1,200,000	8,800,000
Disposal of assets	(100,000)	-	-	-	(100,000)
Write-off of assets	-	(228,275)	-	-	(228,275)
Balance before amortization	**-**	**-**	**7,600,000**	**1,200,000**	**8,800,000**
Accumulated amortization:					
Balance at Jan 1, 2015	-	-	-	-	-
Amortization	(25,000)	(33,290)	(211,112)	(80,000)	(349,402)
Disposal of assets	25,000	-	-	-	25,000
Write-off of assets	-	33,290	-	-	33,290
Total accumulated amortization	**-**	**-**	**(211,112)**	**(80,000)**	**(291,112)**
Net book value as at December 31, 2015	**$ -**	**$ -**	**$ 7,388,888**	**$ 1,120,000**	**$ 8,508,888**

Amortization of intangible assets is presented within depreciation and amortization on the interim condensed consolidated statement of loss and comprehensive loss.

There were no changes to Goodwill for the six month period ended June 30, 2016.

10. Revolving credit facility:

The Company's subsidiary Frankly Media, has a credit facility which provides for a $3,000,000 revolving line of credit and a $500,000 letter of credit (collectively, the "Credit Facility"). Borrowings on the revolving line of credit are limited to the lesser of $3,000,000 or a percentage of eligible accounts receivable (the "advance rate"). The advance rate is 85% of eligible accounts receivable, unless the dilution rate from items such as credits and billing adjustments is 3.5% but less than 5%, in which case it will be reduced to 80%. The lender may reduce the advance rate below 80% in the event the lender determines that dilution as to the Company's receivables exceeds 5.0%. Eligible accounts receivable exclude, among other things, past-due invoices, and customer balances where more than 35% of the amounts owed by the customer are past due. The Credit Facility was renewed in April 2015 for two years. It expires in April 2017 and requires monthly interest payments. The interest rate applicable to the revolving credit facility is the greater of 3.25% or the lender's prime rate, plus 2.50%. As at June 30, 2016 and December 31, 2015, $1,950,000 was outstanding under the revolving line of credit, and the applicable interest rate was 6.00%.

The Credit Facility contains financial covenants for which compliance must be measured monthly and before each advance. These covenants include an asset coverage ratio of not less than 1.05 to 1.0, revised to 1.4 to 1.0 as of November 10, 2015, defined as unrestricted cash maintained at lender plus eligible receivables less contra-accounts, counterclaims, and offsets, which include liabilities of Frankly Media to its customers for their share of advertising revenue, divided by the credit facility balance, including the letter of credit. Beginning November 10, 2015, Frankly Media has an additional covenant to maintain a minimum unrestricted cash balance of at least $1,000,000. All covenants were met as at June 30, 2016 and December 31, 2015.

In the event there is an event of default under the Credit Facility, the interest rates on the revolving line of credit will be subject to an additional 5% (500 basis points). There were no defaults under the Credit Facility during the period.

11. Related party transactions and balances:

The following table summarizes related party balances in the statement of financial position as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Statement of financial position		
Accounts receivable (ii)	$ 60,386	$ 86,112
Unbilled revenue (ii)	111,224	-
Accounts payable (ii)	220,309	92,089
Deferred revenue (ii)	39,780	79,560
Promissory notes (iii)	$ 15,000,000	$ 15,000,000

11. Related party transactions and balances: (continued)

The following table summarizes related party transactions for the three and six month periods ended June 30, 2016 and 2015:

	Three month period ended		Six month period ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Statement of loss and comprehensive loss				
Revenue - Raycom Media (ii)	$ 1,082,674	$ -	$ 2,190,517	$ -
Interest expense, net (iii)	187,500	-	375,000	-
Consulting fees, net of capitalized software (i)	$ -	$ 33,354	$ -	$ 75,846

(i) The Company had services agreements with its then ultimate parent company, SK Planet Co. Ltd. ("SK Planet") Korean and U.S. subsidiaries, whereby the affiliated companies provide market research, mobile application development, and support for the Company's back office operations as requested. The agreements provide that all intellectual property interest in all works completed by the affiliated company will be transferred to the Company. Pursuant to the agreements, the Company incurred consulting fees of $33,354 and $75,846 for the three and six month periods ended June 30, 2015, respectively.

(ii) The Company recorded revenues from Raycom Media, Inc. of $1,082,674 and $2,190,517 for the three and six month periods ended June 30, 2016, respectively.

Related party balances with this affiliate in the accompanying statement of financial position as at June 30, 2016 include accounts receivable of $60,386, unbilled revenue of $111,224, accounts payable of $220,309 and deferred revenue of $39,780. Related party balances with this affiliate in the accompanying statement of financial position as at December 31, 2015 include accounts receivable of $86,112, accounts payable of $92,089 and deferred revenue of $79,560. Raycom Media, Inc. is considered a significant shareholder of the Company.

(iii) In connection with the acquisition of Worldnow, the Company executed promissory notes, bearing simple interest at a rate of 5 percent per year, to pay an additional $15 million in cash on August 31, 2016. The holders of the promissory notes also hold equity in the Company. Interest expense on the promissory notes amounted to $187,500 and $375,000 for the three and six month periods ended June 30, 2016, respectively, and is presented within interest expense, net on the interim condensed consolidated statement of loss and comprehensive loss.

11. Related party transactions and balances: (continued)

(iv) Compensation to key management is as follows:

Key management personnel include the directors and corporate officers of the Company who are responsible for planning, directing and controlling business activities. Their compensation for the three and six month periods ended June 30, 2016 and 2015 is as follows:

	Three month period ended		Six month period ended	
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Salaries, bonuses and employee benefits	$ 589,907	$ 292,738	$ 1,015,921	$ 599,998
Stock based compensation (at full fair value)	-	1,003,768	440,333	2,065,744
	$ 589,907	$ 1,296,506	$ 1,456,254	$ 2,665,742

12. Share capital:

(a) Authorized and issued share capital:

The Company's authorized share capital consists of an unlimited number of authorized common shares with no par value and an unlimited number of Class A restricted voting shares with no par value.

The restricted voting shares have the same voting rights as common shares except for voting for the election and removal of directors of the Company. The restricted voting shares participate in dividends and liquidation events in the same manner as common shares. In terms of restrictions on transfer, no restricted voting shares shall be transferred to another party unless an offer to acquire common shares is concurrently made that is identical to the offer for the restricted voting shares in terms of price per share, percentage of outstanding shares to be transferred and in all other material respects.

As at June 30, 2016 and December 31, 2015, the Company had 21,998,304 common shares issued and outstanding.

12. Share capital: (continued)

(a) Authorized and issued share capital: (continued)

As at June 30, 2016 and December 31, 2015, the Company had 10,095,027 Class A restricted voting shares issued and outstanding.

The movement in the Company's issued and outstanding share capital during the six month period ended June 30, 2016 and year ended December 31, 2015 is as follows:

	Common Shares	Class A Restricted Voting Shares		Amount
Balance, January 1, 2015	**21,695,321**	**362,401**		**47,025,501**
Exercise of options	37,959	-	$	70,261
Vesting of restricted share units	30,000	-		58,442
Refund of cost of issued shares in Private Placement	-	-		3,494
Exchange of restricted voting shares for common shares	39,578	(39,578)		-
Shares issued in acqusition of Worldnow (i)	195,446	9,772,204		13,388,640
Transaction costs on issuance of shares	-	-		(170,000)
Balance, December 31, 2015 and June 30, 2016	**21,998,304**	**10,095,027**	$	**60,376,338**

(i) In connection with the acquisition of Worldnow, the Company issued $20 million in Class A restricted voting shares. The number of restricted voting shares comprising the Share Consideration is 9,772,204, determined with reference to the volume-weighted average price of the common shares of the Company on the TSX-V for the five days prior to the date of the Purchase Agreement (being CAD$2.6471; US$2.0466). All of the securities composing the Share Consideration are subject to a lock-up agreement. For purposes of the purchase price allocation, the Share Consideration was reflected at fair value as of the closing date which amounted to $15,523,058. As a result of the lock-up agreement, a discount for lack of marketability in the amount of $2,444,882 was applied to arrive at the fair value of the restricted voting shares as of the closing date of $13,078,176.

Further, in connection with the acquisition, the Company assumed a $400,000 liability of Worldnow with Schwartz & Associates, which the Company satisfied by granting 195,446 common shares to Schwartz & Associates. The common shares were issued at a price of CAD$2.6471 (US$2.0466) per common share, being the volume-weighted average price of the common shares on the TSX-V for the five days prior to the date of the Purchase Agreement. For purposes of the purchase price allocation, this additional investment was reflected at fair value as of the closing date which amounted to $310,464.

(b) Stock options:

Under the terms of the Company's Stock Option Plan (the "Plan"), the maximum number of shares reserved for issuance under the Plan is 10 percent of the issued common shares on a rolling basis.

12. Share capital: (continued)

(b) Stock options: (continued)

On January 22, 2016, the Company and its Board of Directors amended the Plan to have a fixed 5,715,105 shares reserved for issuance of both stock options and restricted share units.

Options may be exercisable over periods of up to 10 years as determined by the Board of Directors of the Company and the exercise price shall not be less than the closing price of the shares on the day preceding the award date, subject to regulatory approval.

The following table reflects the continuity of stock options for the six month period ended June 30, 2016 and year ended December 31, 2015 (all options are exercisable into one common share):

	Number of options	Weighted average exercise price	Weighted average grant-date fair value	Weighted average remaining contractual term
Options outstanding, January 1, 2015	**996,707**	**1.84**	**0.59**	**4.37**
Issued	1,850,979	2.20	1.27	9.22
Exercised	(37,959)	1.24	0.67	3.10
Forfeited or expired	(415,972)	2.10	1.21	7.86
Options outstanding, December 31, 2015	**2,393,755** *	**2.09**	**1.01**	**7.12**
Issued	2,858,500	0.72	0.27	9.63
Exercised	-	-	-	-
Forfeited or expired	(845,049)	2.36	0.79	3.52
Options outstanding, June 30, 2016	**4,407,206**	**1.14**	**0.58**	**9.17**

* Includes 515,802 options granted to the Company's Agent as a part of Agent's commission on completion of a private placement.

The weighted average share price at the time of the 37,959 options exercised during the year ended December 31, 2015 was $2.50 per common share.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

During the six month periods ended June 30, 2016 and 2015, the following stock options were granted to directors, officers and employees of the Company. The fair value of the options granted were estimated based on the Black-Scholes option pricing model, using the following weighted average assumptions:

12. Share capital: (continued)

(b) Stock options: (continued)

	Six month period ended	
	June 30, 2016	**June 30, 2015**
Number of options granted	2,858,500	1,635,234
Dividend yield	0%	0%
Risk-free interest rate	0.87%~1.00%	0.80%~0.93%
Volatility	85.70%	68.00%
Expected term in years	6.25	5~6.25

(c) Restricted share units:

On April 1, 2015, the Company adopted an amended and restated equity incentive plan, which amends and restates the equity incentive plan which was previously established as of December 23, 2014.

The restated plan allows the Company to award restricted share units to officers, employees, directors and consultants of Frankly and its subsidiaries upon such conditions as the board may establish, including the attainment of performance goals recommended by the Company's compensation committee. The purchase price for common shares of the company issuable under each Restricted Share Unit (“RSU”) award, if any, shall be established by the board at its discretion. Shares issued pursuant to any RSU award may be made subject to vesting conditions based upon the satisfaction of service requirements, conditions, restrictions, time periods or performance goals established by the board.

The maximum aggregate number of shares that may be issued under the restated plan pursuant to the exercise of RSUs shall not exceed 2,205,772 shares. As previously contemplated pursuant to the equity incentive plan, the maximum number of common shares of Frankly which may be reserved and set aside for issuance upon the grant or exercise of option awards under the restated plan is 10 percent of Frankly's common shares issued and outstanding from time to time on a non-diluted basis.

On January 22, 2016, the Company and its Board of Directors amended the Plan to have a fixed 5,715,105 shares reserved for issuance of both stock options and restricted share units.

In connection with the extension of the CEO’s employment agreement, the Company granted an aggregate of 247,676 RSUs in 2015, which are subject to the following vesting conditions, provided that the CEO is still employed on the applicable vesting date: (1) all unvested RSUs will vest and the shares underlying the RSUs shall be immediately issued on a date that is seven years from February 1, 2015; and (2) until December 31, 2017, the RSUs will vest in accordance with a number of non-market performance-based vesting conditions.

12. Share capital: (continued)

(c) Restricted share units: (continued)

In addition, to compensate its two independent directors for their time and expenses in connection with the fulfilment of their duties as directors of the Company, the Company granted the total of 30,000 RSUs in 2015 to its independent directors, which vest upon the anniversary of their election to the board.

The fair value of RSUs granted was estimated based on a closing price of CAD$2.70 (or USD $2.14) common shares on a date of issuance of RSU April 1, 2015, being CAD $749,725 which is being amortized over the vesting period.

In November 2015, the Company granted a total of 360,360 RSUs to compensate two key employees, which vest 25% per annum over four years from the date of grant.

The following table reflects the continuity of RSUs for the six month period ended June 30, 2016 and year ended December 31, 2015:

	Number of RSUs
Balance, January 1, 2015	**-**
Issued	638,036
Cancelled	-
Vested	(30,000)
Balance, December 31, 2015	**608,036**
Issued	-
Cancelled	(247,676)
Vested	-
Balance, June 30, 2016	**360,360**

13. Capital management:

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued common shares, contributed surplus, accumulated other comprehensive loss and deficit in the definition of capital. The Company may adjust the amount of dividends paid to stockholders, return capital to stockholders, issue new shares or debt instruments or sell assets to reduce debt. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

13. Capital management: (continued)

As at June 30, 2016 and December 31, 2015, managed capital was $26,016,107 and $28,501,048, respectively. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six month period ended June 30, 2016. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

14. Financial risk management:

Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. Top management frequently meets to discuss early identification of those risks, if any, monitors its compliance with the policies and procedures and documents their follow-up.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(a) Credit risk:

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily from accounts receivable) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk relates to cash, cash equivalents and accounts receivable, and arises from the possibility that any counterparty to an instrument fails to perform. The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. As at June 30, 2016 and December 31, 2015, the Company's maximum exposure to credit risk was the carrying value of cash and accounts receivable.

14. Financial risk management:

(a) Credit risk: (continued)

Accounts receivable:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The allowance for doubtful accounts was $41,973 and $57,723 as at June 30, 2016 and December 31, 2015, respectively.

The Company’s accounts receivable are concentrated among customers in the media and broadcasting industry, which may be affected by adverse economic factors impacting that industry. The Company performs ongoing credit evaluations of its major customers, maintains reserves for potential credit losses, and does not require any collateral deposits. As at June 30, 2016, two customers each accounted for greater than 10% of the Company’s accounts receivable balance. In total, these two customers accounted for 28% of the Company’s accounts receivable balance as at June 30, 2016.

Financial instruments and cash deposits:

Credit risk from balances with banks and financial institutions is managed by the Company's treasury function in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

(b) Liquidity risk:

The Company's exposure to liquidity risk is dependent on its ability to raise funds to meet purchase commitments and to sustain operations. The Company controls its liquidity risk by managing working capital and cash flows. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2016, the Company had a cash and accounts receivable balance of $7,253,478 (December 31, 2015 - $10,668,274) to settle current financial liabilities of $18,879,635, excluding deferred revenue and revolving credit facility (December 31, 2015 - $19,363,266). All of the Company's financial liabilities, excluding non-current portion of capital leases, have contractual maturities of less than 12 months. Reference Note 1 for further discussion on liquidity risk.

14. Financial risk management: (continued)

(b) Liquidity risk: (continued)

Management believes that cash on hand, cash to be generated from future operations and cash available under existing and future credit facilities will be sufficient to meet the Company's needs. However, circumstances such as the Company's ability to achieve sustainable profitable operations, ability to raise additional financing, the loss of significant customers or deterioration in the economy, particularly in the media and advertising industries, could cause these sources of cash and liquidity to be insufficient. Additionally, the terms of the Company's credit facility require that all cash receipts be used to reduce any outstanding balance on the revolving credit facility and, in the event of a default, any other credit facility obligation. Any additional borrowings under the credit facility, such as those necessary to fund cash disbursements, are subject to the lender determining whether a material adverse change has occurred.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign exchange rates:

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's transactions with parties located outside the United States of America, including the Canadian head office and Korean liaison office of the Company. The following table provides the amount of net assets denominated in a foreign currency as at June 30, 2016:

	CAD denominated (in USD)	KRW denominated (in USD)	Total (in USD)
Cash	$ 22,005	$ 8,109	$ 30,114
Accounts receivable	-	9,609	9,609
Prepaid expenses and other current assets	7,678	-	7,678
	29,683	**17,718**	**47,401**
Accounts payable and accrued liabilities	(55,774)	-	(55,774)
Net assets exposure	**$ (26,091)**	**$ 17,718**	**$ (8,373)**

Based on the above net exposures as at June 30, 2016, a 10% depreciation or appreciation of the above currencies against the U.S. dollar would result in an increase or decrease, respectively, in the net assets by $837 (December 31, 2015 - $5,121). Management believes the carrying values of the financial assets and liabilities listed above approximate their fair values due to their short-term nature.

14. Financial risk management: (continued)

(c) Market risk: (continued)

Interest rates:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The revolving credit facility which bears interest at floating rates is subject to interest rate cash flow risk resulting from market fluctuations in interest rates. Promissory notes bear interest at a fixed rate of interest, and as such are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. A 1% increase or decrease in the interest rate related to the revolving credit facility would result in an increase or decrease in annual interest expense of approximately $19,500 based on amount due as at June 30, 2016 of $1,950,000.

(d) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company's objective is to manage these operational risks so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

15. Loss per share:

Loss per share has been calculated using the weighted average number of common shares and common share equivalents issued and outstanding during the period. As at June 30, 2016 and 2015, there is no effect of potentially dilutive securities. All options and RSUs outstanding were excluded from the diluted weighted average number of shares calculated as their effect would have been anti-dilutive.

The following table details the weighted average number of outstanding common shares for the purpose of computing basic and diluted earnings per common share for the following periods:

15. Loss per share: (continued)

	Three month period ended		Six month period ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net loss for the period	$ (1,442,950)	$ (2,951,511)	$ (3,070,797)	$ (5,386,151)
Basic weighted average shares outstanding	32,093,331	22,062,949	32,093,331	22,060,335
Diluted weighted average shares outstanding	32,093,331	22,062,949	32,093,331	22,060,335
Basic and diluted loss per share	$ (0.04)	$ (0.13)	$ (0.10)	$ (0.24)

16. Income taxes:

The Company has net operating loss carry forwards. Deferred tax assets have not been recognized given the Company's history of losses.

17. Capital leases:

The Company is party to various computer-related equipment leases that qualify as capital lease obligations. As a result, the present value of the remaining future minimum lease payments is recorded as a capitalized asset and a related capital lease obligation in the accompanying statements of financial position. The net carrying value of assets held under capital lease was $486,470 and $568,594 as at June 30, 2016 and December 31, 2015, respectively. Future minimum capital lease payments as at June 30, 2016 and December 31, 2015 are payable as follows:

	June 30, 2016	December 31, 2015
Future payments		
Within one year	$ 193,737	$ 210,084
After one year but not more than five years	122,226	213,966
Thereafter	-	-
Total	**315,963**	**424,050**
Less amount representing interest	11,800	20,027
Present value of minimum lease payments	**304,163**	**404,023**
Less current portion	184,121	195,940
Total noncurrent portion	**$ 120,042**	**$ 208,083**

18. Commitments and contingencies:

(a) The Company is obligated under several non-cancellable operating leases for office space, expiring in 2017 - 2023. The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

	June 30, 2016	December 31, 2015
Future payments		
Within one year	$ 1,550,058	$ 1,668,446
After one year but not more than five years	4,421,633	4,714,683
Thereafter	1,421,514	1,847,968
Total	**$ 7,393,205**	**$ 8,231,097**

(b) On May 19, 2014, an individual filed a punitive class action complaint against Frankly Co. (then named TicToc Planet, Inc.) in the U.S. District Court for the Northern District of California. The plaintiff asserted a single cause of action against the Company for violation of the Telephone Consumer Protection Act ("TCPA"). The complaint alleged that the Company violated the TCPA when it enabled users of its Frankly messaging service to send short message service ("SMS") text message invitations to the users' friends and other contacts via a short code assigned to the Company. The complaint alleged that the Company was the sender of those messages, and that the messages violated the TCPA, because the recipients had not given prior express consent to receive SMS messages. The plaintiff sought to represent a putative nationwide class of persons who allegedly received SMS message invitations from a short code assigned to the Company, and the plaintiff seeks actual or statutory damages in the amount of $500 per message.

On June 13, 2014, the Company filed a motion to dismiss the complaint for failure to state a claim, on the ground that the complaint does not sufficiently allege that the Company sent plaintiff any SMS message using an automated telephone dialing system - that is, a system with the present capacity to store or produce, and dial, numbers generated by a random or sequential number generator. In the alternative, the Company asked the court to stay the action pending rulings by the Federal Communications Commission (FCC) on four pending petitions for declaratory rulings concerning the interpretation of the TCPA. The court denied the Company's motion on March 11, 2015, and the Company answered the complaint on March 26, 2015.

On August 18, 2015, the parties reached a settlement agreement, the terms of which are confidential. The parties filed a joint stipulation to dismiss the case on August 21, 2015.

19. Employee benefit plan:

The Company’s subsidiaries, Frankly Co. and Frankly Media, each have a 401(k) plan (the “Plans”), which covers all eligible employees. Under the Plans, employees may contribute from their gross salaries on a before tax basis up to annual statutory limitation determined each year. The Company's matching contributions amounted to $Nil and $10,572 for the six month periods ended June 30, 2016 and 2015, respectively.

20. Subsequent events:

On August 18, 2016, Frankly announced it had agreed to a term sheet with Raycom Media, Inc. ("Raycom"), under which Raycom will provide Frankly with a non-revolving term line of credit in the principal amount of $14.5 million and an additional available $1.5 million non-revolving line of credit (collectively, the "Loan"). Raycom will also convert $1.0 million of its existing $4.0 million promissory note to Frankly common shares and Raycom's 6,751,132 Class A restricted voting shares of Frankly will be converted on or prior to the closing date into common shares of Frankly (collectively, the "Conversion").

The Loan will have a five-year term and will be secured by the grant of a security interest in Frankly's assets, a pledge of shares of Frankly's subsidiaries and a guarantee by Frankly's subsidiaries secured by their assets. Simultaneously, Frankly and Raycom will also enter into a software code escrow agreement.

Interest on outstanding balances of the Loan will accrue at a rate of 10% per annum, with a default interest rate of 12% per annum. The Loan is subject to certain scheduled mandatory principal repayments, with additional mandatory repayments occurring upon Frankly's raising of additional financing, sales of assets and excess cash flow.

In connection with the Loan and subject to TSX-V approval, shareholder approval and the negotiation and execution of definitive agreements, Frankly will grant Raycom warrants to acquire Frankly common shares in an amount equal to 40% of the outstanding principal balance of the Loan up to $6,400,000. Each warrant will be exercisable to acquire one Frankly common share with an exercise price of CAD$0.50 per share. The warrants will expire on the earlier of: (i) the repayment of the Loan in accordance with its terms; and (ii) 5 years. To the extent that there is a mandatory repayment of any portion of the principal balance of the Loan within the first year of its term, a proportionate number of the warrants will have their term reduced to the later of one year from issuance and 30 days from the date of such repayment.

The proceeds of the Loan will be used to pay off the outstanding $15.0 million of promissory notes issued by Frankly in connection with the 2015 acquisition of its Frankly Media subsidiary, including $3.0 million of the $4.0 million of such notes issued to Raycom, with the remaining $1.0 million promissory note balance owed to Raycom to be converted to Frankly common shares, based on the closing price of Frankly shares on August 18, 2016. These common shares, as well as the warrants granted in connection with the Loan, will be subject to a regulatory hold period of four months from the date of issuance.

Raycom currently holds 6,751,132 Class A restricted voting shares of Frankly, which represent approximately 21% of the issued and outstanding shares of Frankly. Upon conclusion of the Loan and Conversion transactions, Raycom would hold 9,304,532 common shares of Frankly and 16,341,760 warrants (if the size of the loan is increased by $1.5 million to $16 million), which collectively represents approximately 27% of the issued and outstanding voting shares of Frankly on a non-diluted basis.

20. Subsequent events: (continued)

Pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”), the transactions with Raycom will be “related party transactions.” The Loan and Conversion transactions will not be subject to the valuation and minority shareholder approval provisions of MI 61-101 based on the exceptions contained in Sections 5.5(e) and 5.7(1)(c) thereof for transactions that are supported by arms-length control persons.

The Loan and Conversion remain subject to TSX Venture Exchange approval and negotiation and execution of definitive agreements. In addition, the creation of a new Control Person (as such term is defined in the policies of the TSX Venture Exchange) requires the approval of disinterested shareholders holding more than 50% of the issued and outstanding shares of Frankly. The Loan and Conversion transactions are expected to close by the end of August 2016.

The Company has evaluated subsequent events from the balance sheet date through August 26, 2016, the date at which the interim condensed consolidated financial statements were available to be issued, and determined there were no additional items to be disclosed.