HELLO PAL INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2017 AND FEBRUARY 29, 2016
(Expressed in Canadian Dollars)

Independent Auditors' Report

MNP LLP

To the Shareholders of Hello Pal International Inc.:

We have audited the accompanying consolidated financial statements of Hello Pal International Inc., which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hello Pal International Inc. as at February 28, 2017, February 29, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that Hello Pal International Inc. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Hello Pal International Inc. to continue as a going concern.

Vancouver, British Columbia

June 28, 2017

Chartered Professional Accountants

HELLO PAL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	February 28, 2017 $	February 29, 2016 $
ASSETS			
Current assets			
Cash and cash equivalents		285,070	47
GST recoverable		5,044	-
Prepaid expenses		23,978	-
Deferred acquisition costs	**7**	-	6,500
		314,092	6,547
Equipment	**6**	2,023	-
Software application	**7**	3,801,743	-
Total assets		4,117,858	6,547
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**10**	201,212	155,184
Due to related parties	**8, 10**	12,818	54,250
		214,030	209,434
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	**7, 9**	8,130,385	2,403,006
Subscriptions received		495,025	-
Contributed surplus	**9**	1,630,919	189,514
Accumulated other comprehensive loss		(6,817)	-
Deficit		(6,345,684)	(2,795,407)
		3,903,828	(202,887)
Total liabilities and shareholders' equity (deficiency)		4,117,858	6,547

Nature of operations and going concern (Note 1)
Commitments (Note 16)

Approved and authorized on behalf of the Board of Directors on June 28, 2017

"**Robert McMorran**" Director "**Kean Li Wong**" Director

HELLO PAL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended February 28, 2017 and February 29, 2016
(Expressed in Canadian Dollars)

	Note	2017 $	2016 $
ADMINISTRATIVE EXPENSES			
Accounting and audit	**10**	66,242	21,044
Depreciation	**6, 7**	923,738	-
Foreign exchange loss		5,512	-
Management and consulting fees	**10**	115,533	63,000
Marketing		274,834	-
Legal		10,043	22,093
Office and miscellaneous		140,636	1,259
Transfer agent and filing fees		45,918	12,241
Rent		43,267	10,300
Salaries and benefits		203,436	-
Share-based payments	**9, 10**	1,384,907	-
Shareholder communications		308,116	-
Software application costs		32,863	-
Total Expenses		(3,555,045)	(129,937)
LOSS BEFORE OTHER ITEMS		(3,555,045)	(129,937)
Other items			
Other income		4,768	-
Total other items		4,768	-
NET LOSS FOR THE YEAR		(3,550,277)	(129,937)
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		(6,817)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,557,094)	(129,937)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.06)	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		56,933,929	25,373,978

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

HELLO PAL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars, except for share figures)

	Number of Shares #	Share Capital $	Subscriptions Received $	Contributed Surplus $	AOCI $	Deficit $	Total $
Balance, February 28, 2015	25,373,978	2,403,006	-	189,514	-	(2,665,470)	(72,950)
Net and comprehensive loss for the year	-	-	-	-	-	(129,937)	(129,937)
Balance, February 29, 2016	25,373,978	2,403,006	-	189,514	-	(2,795,407)	(202,887)
Private placement of common shares	12,000,000	1,800,000	-	-	-	-	1,800,000
Less: cash issue costs	-	(67,623)	-	-	-	-	(67,623)
Less: Finders' Warrants	-	(56,725)	-	56,725	-	-	-
Issuance of shares pursuant to warrants exercise	6,000	1,727	-	(227)	-	-	1,500
Issuance of shares pursuant to asset acquisition	25,000,000	3,750,000	-	-	-	-	3,750,000
Issuance of finders' shares pursuant to asset acquisition	2,000,000	300,000	-	-	-	-	300,000
Share-based payments	-	-	-	1,384,907	-	-	1,384,907
Subscriptions received	-	-	495,025	-	-	-	495,025
Net and comprehensive loss for the year	-	-	-	-	(6,817)	(3,550,277)	(3,557,094)
Balance, February 28, 2017	64,379,978	8,130,385	495,025	1,630,919	(6,817)	(6,345,684)	3,903,828

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

HELLO PAL INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended February 28, 2017 and February 29, 2016
(Expressed in Canadian Dollars)

	2017 $	2016 $
Operating activities:		
Net loss for the year	(3,550,277)	(129,937)
Items not involving cash and cash equivalents:		
Depreciation	923,737	-
Share-based payments	1,384,907	-
	(1,241,633)	(129,937)
Changes in non-cash working capital related to operations:		
GST recoverable	(5,044)	-
Prepaid expenses	(23,978)	438
Accounts payable and accrued liabilities	(26,777)	102,317
Net cash used in operating activities	(1,297,432)	(27,182)
Investing activities:		
Purchase of equipment	(2,500)	-
Acquisition and development costs of software application	(589,808)	-
Deferred acquisition costs	-	(6,500)
Net cash used in investing activities	(592,308)	(6,500)
Financing activities:		
Proceeds from private placement, net of share issue costs	1,732,377	-
Proceeds from exercise of warrants	1,500	-
Subscriptions received	495,025	-
Due to related parties	(41,432)	33,250
Net cash provided by financing activities	2,187,470	33,250
Increase (decrease) in cash and cash equivalents during the year	297,730	(432)
Effect of exchange rate changes on cash and cash equivalents	(12,707)	-
Cash and cash equivalents – beginning of the year	47	479
Cash and cash equivalents – end of the year	285,070	47

Non-Cash Transactions (Note 11)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Hello Pal International Inc. (formerly Neoteck Solutions Inc.) ("the Company") was incorporated under the Company Act of British Columbia on October 2, 1986 and changed its name to Hello Pal International Inc. on May 9, 2016. On May 13, 2016, the Company completed an asset purchase agreement (the "Transaction") with a private Hong Kong based company, whereby the Company agreed to acquire all of the assets that comprise the Hello Pal software application (the "HPI Platform") (Note 7). The HPI Platform is a proprietary and open social exchange language and learning mobile application and network for use in a number of applications – including for language learning and socialization. Prior to May 13, 2016, the Company was listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "NEO.H". On May 13, 2016, the Company received approval from the TSX-V to have its shares de-listed and received acceptance from the Canadian Securities Exchange ("CSE") to have its shares listed under the symbol "HP". On June 28, 2016, the Financial Industry Regulatory Authority of the United States cleared the Company's Form 211 application for a quotation on OTC Link, and as such, the common shares of the Company now trade under the US symbol "HLLPF". The Company's registered and corporate head office is located at 410-1040 West Georgia Street, Vancouver, BC, Canada.

These consolidated financial statements have been prepared on the going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. If the going concern assumption were not appropriate for these financial statements, then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

As at February 28, 2017, although the Company had working capital of $100,062, the Company had not yet achieved profitable operations and had an accumulated deficit of $6,345,684 since inception. These factors may cast substantial doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain the necessary financing to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no guarantee that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. BASIS OF PRESENTATION

These consolidated financial statements have been presented in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRIC's") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention.

These consolidated financial statements were approved by the board of directors for issue on June 28, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Hello Pal Asia Limited, incorporated on May 6, 2016 in Hong Kong SAR, China, and Hangzhou Hello Pal Technology Limited, a private company incorporated in China. Although Hangzhou Hello Pal Technology Limited is not a subsidiary of the Company, the Company consolidates 100% of its operations as they have effective control and therefore the right to obtain the majority of the benefits and are exposed to the risks of the activities of Hangzhou Hello Pal Technology Limited.

Control is achieved when the Company is exposed to, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

b) Foreign currencies

The functional currency is the currency of the primary economic environment in which the entity operates. The functional and presentation currency of the Company is the Canadian dollar, while the functional currency of Hello Pal Asia Limited is the Hong Kong dollar (“HKD”) and the functional currency of Hangzhou Hello Pal Technology Limited is Renminbi (“RMB”) as they are the currencies of the primary economic environments in which the companies operate.

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive loss related to the subsidiary are reallocated between controlling and non-controlling interests.

c) Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL includes financial assets held for trading and are measured at fair value with unrealized gains and losses recognized in profit or loss. The Company has classified its cash and cash equivalents as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The Company held no financial assets during the year which were classified as loans and receivables or held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost. The Company held no financial assets during the year which were classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and due to related parties as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss. The Company has no financial liabilities classified as FVTPL.

De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

Impairment of financial assets

A financial asset not carried as FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss, except for available-for-sale equity assets where an impairment loss is reversed through other comprehensive income.

d) Deferred acquisition costs

Expenditures directly related to the acquisition of assets are recorded as deferred acquisition costs until the transactions are complete. At the time of completion, the deferred acquisition costs will be reclassified to the assets acquired.

e) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures directly attributable to bringing the asset to its operating location and condition necessary for it to be capable of operating in the intended manner.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of equipment.

Depreciation is based on the cost of the assets less estimated residual value. Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items and depreciated separately. Depreciation commences when an asset is available for use and is recorded until an asset is disposed of or otherwise removed from services. Depreciation is recorded on a declining-balance basis at the annual rate of 30%. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

f) Software application

Software application comprises software acquired and internally developed software.

Software application assets acquired separately are measured on initial recognition at cost. Following initial recognition, software application assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of software application assets are assessed as finite.

Software application development costs are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Development costs capitalized are those associated with the Hello Pal Application and Travel Pal Application. Costs associated with major enhancements providing new capability to the applications are also capitalized provided they can be reliably measured. Development costs incurred during the research phase of an internal project are expensed in the period in which they are incurred.

Costs associated with maintaining these intangible assets such as minor updates and repairs are expensed as incurred.

Amortization of software application assets begins when development is complete and the assets are available for use. Amortization is recorded on a straight-line basis over its estimated finite useful life of four to five years. Software application costs are amortized over the period of expected future benefit. During the period of development, the capitalized development costs are tested for impairment annually. The useful life or amortization method for software application costs is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on software application assets is recognized in the statement of profit or loss in the expense category that is consistent with the function of the software application assets.

Software application assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on disposal of the assets, determined as the difference between the net disposal proceeds and the carrying amount of the assets, is recognized in profit or loss.

g) Impairment of non-financial assets

The Company performs impairment tests on its non-financial assets when events or circumstances occur which indicate the assets may not be recoverable. 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 an impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

The recoverable amount is the higher of the fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units, or “CGU”s). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the asset. Fair

value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

h) Share capital

Common shares and warrants are classified as equity instruments. Transaction costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity.

Warrants included in units offered to subscribers as part of corporate financings are bifurcated at fair value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed to the shares issued in the units.

Warrants issued to agents or brokers on a non-cash basis in connection with corporate financings are recorded at fair value using the Black-Scholes option pricing model and charged against share capital as issue costs with an offsetting increase to contributed surplus.

i) Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted loss per share represents the loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

j) Share-based payments

The fair value at grant date of each separate award of stock options, based on the number of awards expected to vest, is recorded as a charge to operations and a credit to contributed surplus over the vesting period of the options. Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

k) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' results are reviewed by the Company's management in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as those that can be allocated on a reasonable basis.

l) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not completed its assessment of the impact that the new and amended standards will have on its financial statements. The Company also has not early adopted any of these standards in the consolidated financial statements.

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact that the new guidance is expected to have on its financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9") as issued, reflects the first phase of the IASB's work on the replacement of IAS 39, *Financial Instruments: Recognition and Measurement* and applies the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued July

2014, moved the mandatory effective date to January 1, 2018. The Company is currently evaluating the impact, if any, that the new guidance is expected to have on its financial statements.

In January 2016, the IASB amended IAS 7, *Statement of Cash Flows*. The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2018. The Company is currently evaluating the impact, of any, that the new guidance is expected to have on its financial statements.

IFRS 16, *Leases* ("IFRS 16") specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact that the new guidance is expected to have on its consolidated financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

a) Critical Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

Asset acquisition

The assessment of whether an acquisition meets the definition of a business or an asset is an area of key judgment. In the acquisition of the HPI Platform, judgement was required to determine if the acquisition represented a business combination or an asset acquisition. More specifically, management concluded that HPI Platform did not represent a business as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the Transaction represented the acquisition of an asset, there was no goodwill recognized and the transactions costs were capitalized to the assets purchased rather than expensed.

Capitalization of software development costs

The application of the Company's accounting policy for capitalization of software development costs requires judgment in determining which development expenditures are recognized as intangible assets and applying the policy consistently. In making this determination, the Company considers the degree to which the development expenditure can be associated with developing new software applications.

b) Key Sources of Estimation Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Depreciation and amortization

Software application assets are amortized based on estimated useful life less their estimated residual value. Significant assumptions are involved in the determination of useful life and residual values and

no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions. Actual useful life and residual values may vary depending on a number of factors including internal technical evaluation, physical condition of the assets and experience with similar assets. Changes to these estimates may affect the carrying value of assets, net income (loss) and comprehensive income (loss) in future periods.

Income taxes

Significant estimate is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

6. EQUIPMENT

	Cost ($)	Accumulated Depreciation ($)	Net Book Value ($)
Balance, February 29, 2016	-	-	-
Additions	2,500	-	2,500
Depreciation	-	(472)	(472)
Foreign exchange	2	(7)	(5)
Balance, February 28, 2017	2,502	(479)	2,023

7. SOFTWARE APPLICATION

On May 13, 2016, the Company completed an asset purchase agreement (the "Transaction") with a private Hong Kong based company ("PrivCo"), whereby the Company agreed to acquire all of the assets that comprise the Hello Pal software application (the "HPI Platform"), in consideration for 25,000,000 post-consolidation common shares of the Company. The Company also issued 2,000,000 post-consolidation common shares for finder's fees. The CEO of the seller agreed to be appointed as a director and president of the Company upon the completion of transaction. The HPI Platform is a proprietary and open social exchange language and learning mobile application and network for use in a number of applications – including for language learning and socialization.

The shares issued were valued at $3,750,000 using a market value of $0.15 per share, which was determined based on the share issue price of the private placement financing closed on the date of the acquisition in conjunction with the Transaction. Transaction costs, comprised of professional fees of $25,167 and 2,000,000 post-consolidation common shares issued as finder's fees, are included in the consideration paid to acquire the HPI Platform. $6,500 of the transaction costs incurred were recorded as deferred acquisition costs as at February 29, 2016. The entire acquisition cost was recorded as the cost of Software as at February 28, 2017.

The components of the acquisition costs of software application are as follows:

	$
25,000,000 post-consolidation common shares of the Company at $0.15 per share	3,750,000
2,000,000 post-consolidation common shares issued in finder's fees at $0.15 per share	300,000
Transaction costs	25,167
Total acquisition costs	**4,075,167**

As at February 28, 2017, intangible assets comprise the following:

	Software $	Internally generated software $	Total $
Cost			
Balance, February 29, 2016	-	-	-
Acquisition of HPI Platform	4,075,167		4,075,167
Additions - development costs	577,358	73,614	650,972
Effect for foreign exchange	(1,002)	(128)	(1,130)
Balance, February 28, 2017	4,651,523	73,486	4,725,009
Amortization			
Balance, February 29, 2016	-	-	-
Amortization	920,812	2,454	923,266
Effect for foreign exchange	-	-	-
Balance, February 28, 2017	920,812	2,454	923,266
Carrying amount			
As at February 29, 2016	-	-	-
As at February 28, 2017	**3,730,711**	**71,032**	**3,801,743**

8. DUE TO RELATED PARTIES

During the year ended February 28, 2017, the Company received a total of $9,575 (2016 - $33,250) from the former President of the Company and a shareholder, which were non-interest bearing loans made to the Company to finance its activities in order to continue its operations. The loans were due on demand, unsecured and had no maturity date. During the year ended February 28, 2017, the Company repaid the outstanding balance of the loans in full and the outstanding balance was $nil (February 29, 2016 - $54,250).

During the year ended February 28, 2017, the Company received a total of $12,818 (2016 - $nil) from a company controlled by the Chief Executive Officer of the Company, which are non-interest bearing, due on demand, unsecured and have no maturity date. The amount of loans outstanding as at February 28, 2017 was $12,818 (February 29, 2016 – $nil).

9. SHARE CAPITAL

a) Authorized – Unlimited common shares without par value.

b) Consolidation:

On May 9, 2016, the Company consolidated its common shares on the basis of one-post consolidation common share of the Company for every 1.5 pre-consolidation common share of the Company. All share numbers and amounts have been retroactively restated for the periods presented in these statements.

c) Financings:

On May 13, 2016, the Company closed a private placement financing of 12,000,000 post-consolidation common shares of the Company at a price of $0.15 per post-consolidation common share for gross proceeds of $1,800,000 (the "Financing"). In connection with the Financing, the Company incurred legal fees of $13,775, paid finder's fees of $53,848 and issued 375,189 finders' warrants valued at $56,725. Each finder's warrant entitles the holder to purchase one additional common share at an exercise price of $0.25 on or before May 13, 2018. The fair value of the finders' warrants is estimated using the Black-Scholes option valuation model with the following assumptions:

Dividend yield	**Nil**
Expected annualized volatility (%)	**137**
Risk-free interest rate (%)	**1.15**
Expected life of options (years)	**2.00**
Grant date fair value ($)	**0.15**
Forfeiture rate	**Nil**

On May 13, 2016, the Company issued 25,000,000 post-consolidation common shares pursuant to the Transaction valued at $3,750,000 using a market value of $0.15 per share, which was determined based on the share issue price of the private placement financing closed on the date of the acquisition in conjunction with the Transaction. 13,725,000 of these post-consolidation common shares were placed in escrow (Note 9(f)). The Company also issued 2,000,000 post-consolidation common shares as finder's fees valued at $0.15 per share.

On September 13, 2016, the Company issued 6,000 common shares pursuant to an exercise of finders' warrants at an exercise price of $0.25 per share for gross proceeds of $1,500. A value of $227 was transferred from contributed surplus to share capital as a result.

During the year ended February 28, 2017, the Company received $495,025 of subscriptions in advance based on a share price of $0.25 per common share. This is related to a private placement which the Company plans to close subsequent to February 28, 2017.

d) Stock options:

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter.

Details of options activity for the year ended February 28, 2017 are as follows:

	Number of Options #	Weighted average exercise price $	Weighted Average Life (Years)
Outstanding, February 29, 2016	-	-	-
Granted	6,400,000	0.15	-
Outstanding and exercisable, February 28, 2017	6,400,000	0.15	4.21

During the year ended February 28, 2017, the Company granted 6,400,000 stock options to certain directors, officers, and consultants. The stock options have an exercise price of $0.15 per share and a life of 5 years. The stock options vested immediately upon issuance. The estimated fair value of the options granted during the year ended February 28, 2017 was $1,384,907.

The fair value of the options granted during the year ended February 28, 2017 is estimated on the dates of grant using the Black-Scholes option valuation model with the following assumptions:

Dividend yield	**Nil**
Expected annualized volatility (%)	**159**
Risk-free interest rate (%)	**1.38**
Expected life of options (years)	**5.00**
Grant date fair value ($)	**0.23**
Forfeiture rate	**Nil**

Option pricing models require the input of subjective assumptions including the expected price volatility and the expected option life. Expected price volatility was calculated based on the Company's historical share prices. Changes in these assumptions can materially affect the estimated fair value of the stock options granted.

As at February 28, 2017, the Company had 6,400,000 options outstanding with an exercise price of $0.15 per share and an expiry date of May 13, 2021.

e) Warrants

	Number of Warrants #	Weighted average exercise price $	Weighted Average Life (Years)
Outstanding, February 29, 2016	-	-	-
Issued	375,189	0.25	-
Exercised	(6,000)	-	
Outstanding and exercisable, February 28, 2017	369,189	0.25	1.20

During the year ended February 28, 2017, 6,000 warrants with an exercise price of $0.25 per share were exercised for gross proceeds of $1,500. As at February 28, 2017, the Company had 369,189 warrants outstanding with an exercise price of $0.25 per share and an expiry date of May 13, 2018.

f) Escrow shares

13,725,000 post-consolidation shares were placed in escrow upon completion of the Transaction on May 13, 2016. On May 13, 2016, 10% of escrowed shares were released and 15% of the escrowed shares are released each six month period thereafter. As at February 28, 2017, 10,293,750 issued and outstanding post-consolidation common shares were held in escrow.

10. RELATED PARTY TRANSACTIONS

The Company incurred charges to directors and officers, or to companies associated with these individuals during the years ended February 28, 2017 and February 29, 2016 as follows:

	February 28, 2017 $	February 29, 2016 $
Accounting and corporate secretarial fees	35,779	12,915
Application development costs (salaries)	54,567	-
Management fees	89,454	31,500
Share issue costs	5,750	-
Share-based payment	367,866	-
	553,416	44,415

Accounts payable and accrued liabilities at February 28, 2017 includes $30,340 (February 29, 2016 – $63,978) due to the Chief Technology Officer, the President and CEO of the Company and a company controlled by a director and in which the CFO is an associate. Related party transactions are conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Key management of the Company includes the President and CEO, Chief Technology Officer, CFO and the Directors. During the year ended February 28, 2017, compensation paid to key management consisted of management fees of $89,454 (February 29, 2016 – $31,500) paid to the former President and current President and CEO, application development costs of $54,567 (February 29, 2016 – $nil) paid to the Chief Technology Officer of which $966 was included in salaries and benefits, and accounting, corporate secretarial fees of $35,779 (February 29, 2016 – $12,915), share issue costs of $5,750 paid to a company controlled by a director and in which the CFO is an associate, and share-based payments of $367,866 made to the President, CEO, CFO and the Directors.

Other amounts due to related parties are disclosed in Note 8.

11. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the year ended February 28, 2017, the following transactions were excluded from the consolidated statement of cash flows:

- $72,805 of application development costs included in accounts payable and accrued liabilities at February 28, 2017.
- The Company issued 25,000,000 post-consolidation common shares at a value of $3,750,000 pursuant to the Transaction (Note 7).
- The Company issued 2,000,000 post-consolidation common shares at a value of $300,000 pursuant to the Transaction (Note 7).
- The Company issued 375,189 finders' warrants at a value of $56,725 pursuant to a private placement (Note 9).
- The Company reclassified $227 from contributed surplus to share capital on the exercise of warrants during the year.

During the year ended February 29, 2016, the Company had no non-cash investing and financing activities.

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of

acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to carry out its development plans and operations throughout its current operating period.

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the CSE.

13. FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities and due to related parties. Cash is designated as FVTPL, which is measured at fair value. Accounts payable and accrued liabilities and due to related parties are designated as other financial liabilities, which are measured at amortized cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities. The Company's cash is carried at fair value using Level 1 inputs.

- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

- Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

As at February 28, 2017, the Company believes that the carrying values of cash, accounts payable and accrued liabilities and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

b) Management of risks arising from financial instruments

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets as disclosed in the consolidated statements of financial position. The Company's cash is held with reputable banks in Canada, Hong Kong and China. The credit risk related to cash is considered minimal.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the Company does not have any interest bearing financial instruments.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained. As at February 28, 2017, the Company has a cash balance of $285,070 to settle its obligations related to accounts payable and accrued liabilities of $201,212.

Foreign exchange rate risk

Foreign exchange rate risk is the risk that exists when a financial transaction is denominated in a currency other than the functional currency of the company.

The Company operates in Hong Kong and China and its cash and cash equivalents are held in US dollars, Hong Kong dollars, and Chinese Yuan Renminbi. A significant change in the current exchange rates between the US dollar relative to the Canadian dollar, the Hong Kong dollar relative to the Canadian dollar and the Chinese Yuan Renminbi to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2017, the Company is exposed to currency risk through the

following assets and liabilities denominated in US dollars, Hong Kong dollars and Chinese Yuan Renminbi.

	US Dollars ($)	Hong Kong Dollars ($)	Chinese Yuan Renminbi (¥)
Cash and cash equivalents	10,341	194,122	681,357
Accounts Payable and Accrued Liabilities	-	(801,734)	-

At February 28, 2017, US dollar amounts were converted at a rate of 1 USD to 1.32 CAD; Hong Kong dollar amounts were converted at a rate of 1 HKD to 0.171 CAD; Chinese Yuan Renminbi were converted at a rate of 1 CNY to 0.192 CAD.

Based on the above net exposures as at February 28, 2017, assuming that all other variables remain constant, a 10% change of the Canadian dollar against the US dollar, Hong Kong dollar and Chinese Yuan Renminbi would result in a change of approximately $4,147 in the Company's comprehensive loss for the year.

14. SEGMENT INFORMATION

The Company's operations are limited to a single industry, being a provider of an international open social exchange language and learning mobile application and network. Geographic segment information of the Company's total assets is as follows:

	February 28, 2017 $	February 29, 2016 $
Canada	3,346,969	6,547
Asia	771,889	-
Total assets	4,117,858	6,547

Geographic segmentation of the Company's net loss during the years ended February 28, 2017 and February 29, 2016 is as follows:

	Years ended	
	February 28, 2017 $	February 29, 2016 $
Canada	2,702,936	129,937
Asia	847,341	-
Net loss	3,550,277	129,937

15. INCOME TAXES

A reconciliation of the Company's income tax provision computed at statutory tax rates to the reported income tax provision for the years ended February 28, 2017 and February 29, 2016 as follows:

	2017	2016
Statutory tax rate	26.0%	26.0%
	$	$
Net loss for the year	(3,550,277)	(129,937)
Expected tax recovery	(923,072)	(33,784)
Difference in tax rates and foreign exchange	117,778	-
Non-deductible amounts	762,504	605
Change in deferred tax assets not recognized	42,790	33,179
Income tax expense (recovery)	-	-

The unrecognized deductible temporary differences as at February 28, 2017 and February 29, 2016 are as follows:

	2017	2016
	$	$
Canada		
Non-capital losses carried forward	2,677,658	2,111,049
Resource allowances	2,930,034	2,930,035
Share issuance cost and other	99,658	54,100
	5,707,350	5,095,184
Hong Kong		
Non-capital losses carried forward	621,394	-

As at February 28, 2017, the Company has non-capital loss carry forwards for Canadian tax purposes of approximately $2,677,658 (2016: $2,111,049) which may be carried forward to apply against future income for Canadian tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiration	Total
2026	237,201
2027	114,648
2028	141,171
2029	114,262
2030	96,333
2031	138,784
2033	721,192
2034	224,728
2035	173,232
2036	149,498
2037	566,609
	2,677,658

As at February 28, 2017, the Company has non-capital loss carry forwards for Hong Kong tax purposes of approximately $621,394 (2016: $nil) which may be carried forward to apply against future income for Hong Kong tax purposes, subject to the final determination by taxation authorities. This non-capital loss can be carried forward indefinitely.

16. COMMITMENT

On April 25, 2016, the Company entered into a lease agreement for the use of office premises in Vancouver, BC, Canada in the amount of $2,150 per month from May 1, 2016 until April 30, 2017. The amount of the total lease payments committed is $4,300 for the fiscal year ending February 28, 2018.