HELLO PAL INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MAY 31, 2017 AND 2016
(Unaudited – Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company’s management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	Note	May 31, 2017 $	February 28, 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		6,850	285,070
GST recoverable		2,632	5,044
Prepaid expenses		15,760	23,978
		25,242	314,092
Equipment	**4**	2,780	2,023
Software application	**5**	3,703,742	3,801,743
Total assets		3,731,764	4,117,858
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**8**	275,926	201,212
Due to related parties	**6, 8**	47,153	12,818
		323,079	214,030
SHAREHOLDERS' EQUITY			
Share capital	**7**	8,130,385	8,130,385
Subscriptions received	**12**	575,025	495,025
Contributed surplus	**7**	1,630,919	1,630,919
Accumulated other comprehensive loss		2,136	(6,817)
Deficit		(6,929,780)	(6,345,684)
		3,408,685	3,903,828
Total liabilities and shareholders' equity		3,731,764	4,117,858

Nature of operations and going concern (Note 1)
Commitment (Note 11)
Subsequent events (Notes 6 and 12)

Approved and authorized on behalf of the Board of Directors on July 31, 2017

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

HELLO PAL INTERNATIONAL INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended May 31, 2017 and 2016

(Unaudited – Expressed in Canadian Dollars)

	Note	2017 $	2016 $
ADMINISTRATIVE EXPENSES			
Accounting and audit	**8**	41,134	14,521
Depreciation	**4, 5**	295,202	-
Foreign exchange (gain) loss		(4,395)	131
Management and consulting fees	**8**	24,008	25,785
Marketing		58,295	20,104
Legal		1,397	1,896
Office and miscellaneous		39,561	8,610
Transfer agent and filing fees		3,108	13,605
Rent		13,875	7,911
Salaries and benefits		67,771	-
Share-based payments	**7, 8**	-	1,384,907
Shareholder communications		39,766	65,049
Software application costs		4,374	-
Total Expenses		(584,096)	(1,542,519)
NET LOSS FOR THE PERIOD		(584,096)	(1,542,519)
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange differences on translation of foreign operations		8,953	(1,976)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(575,143)	(1,544,495)
NET LOSS PER SHARE – BASIC AND DILUTED		(0.01)	(0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		64,379,978	33,341,720

HELLO PAL INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Unaudited – Expressed in Canadian dollars, except for share figures)

	Number of Shares #	Share Capital $	Subscriptions Received $	Contributed Surplus $	AOCI $	Deficit $	Total $
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 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
Net and comprehensive loss for the period	-	-	-	-	(1,976)	(1,542,519)	(1,544,495)
Balance, May 31, 2016	64,373,978	8,128,658	-	1,631,146	(1,976)	(4,337,926)	5,419,902
Issuance of shares pursuant to warrants exercise	6,000	1,727	-	(227)	-	-	1,500
Subscriptions received	-	-	495,025	-	-	-	495,025
Net and comprehensive loss for the period	-	-	-	-	(4,841)	(2,007,758)	(2,012,599)
Balance, February 28, 2017	64,379,978	8,130,385	495,025	1,630,919	(6,817)	(6,345,684)	3,903,828
Subscriptions received	-	-	80,000	-	-	-	80,000
Net and comprehensive loss for the period	-	-	-	-	8,953	(584,096)	(575,143)
Balance, May 31, 2017	64,379,978	8,130,385	575,025	1,630,919	2,136	(6,929,780)	3,408,685

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

HELLO PAL INTERNATIONAL INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended May 31, 2017 and 2016
(Unaudited – Expressed in Canadian Dollars)

	2017 $	2016 $
Operating activities:		
Net loss for the period	(584,096)	(1,542,519)
Items not involving cash and cash equivalents:		
Depreciation	295,202	-
Share-based payments	-	1,384,907
	(288,894)	(157,612)
Changes in non-cash working capital related to operations:		
GST recoverable	2,412	(14,262)
Prepaid expenses	8,218	(79,953)
Accounts payable and accrued liabilities	52,531	(60,820)
Net cash used in operating activities	(225,733)	(312,647)
Investing activities:		
Purchase of equipment	(964)	-
Acquisition and development costs of software application	(167,286)	(58,937)
Net cash used in investing activities	(168,250)	(58,937)
Financing activities:		
Proceeds from private placement, net of share issue costs	-	1,732,377
Subscriptions received	80,000	-
Due to related parties	34,335	(61,750)
Net cash provided by financing activities	114,335	1,670,627
(Decrease) increase in cash and cash equivalents during the period	(279,648)	1,299,043
Effect of exchange rate changes on cash and cash equivalents	1,428	(1,976)
Cash and cash equivalents – beginning of the period	285,070	47
Cash and cash equivalents – end of the period	6,850	1,297,114

Non-Cash Transactions (Note 9)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Hello Pal International 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 5). 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 condensed interim 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 May 31, 2017, the Company had a working capital deficiency of $297,837 and an accumulated deficit of $6,929,780 and had not yet achieved profitable operations. 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. Subsequent to May 31, 2017, the Company completed a non-brokered private placement for gross proceeds of $1,207,550.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using the same accounting policies as detailed in the Company's audited annual financial statements for the year ended February 28, 2017. They do not include all the information required for complete annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and therefore should be read together with the audited annual financial statements for the year ended February 28, 2017.

These condensed interim consolidated financial statements were approved by the board of directors for issue on July 31, 2017.

b) Basis of consolidation

These condensed interim 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.

c) Estimates, assumptions and measurement uncertainty

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.

(i) 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 are discussed below:

Going concern

These condensed interim 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 condensed interim 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 transaction 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.

(ii) 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 estimates are 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.

3. 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 condensed interim 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.

(Unaudited – Expressed in Canadian Dollars)

4. 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
Additions	964	-	964
Depreciation	-	(202)	(202)
Foreign exchange	46	(51)	(5)
Balance, May 31, 2017	3,512	(732)	2,780

5. 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. The entire acquisition cost was recorded as the cost of Software at the date of the asset purchase.

(Unaudited – Expressed in Canadian Dollars)

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 and May 31, 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
Foreign exchange	(1,002)	(128)	(1,130)
Balance, February 28, 2017	**4,651,523**	**73,486**	**4,725,009**
Additions – development costs	151,417	38,052	189,469
Foreign exchange	3,911	3,619	7,530
Balance, May 31, 2017	**4,806,851**	**115,157**	**4,922,008**
Amortization			
Balance, February 29, 2016	**-**	**-**	**-**
Amortization	920,812	2,454	923,266
Balance, February 28, 2017	**920,812**	**2,454**	**923,266**
Amortization	291,270	3,730	295,000
Balance, May 31, 2017	**1,212,082**	**6,184**	**1,218,266**
Carrying amount			
As at February 28, 2017	3,730,711	71,032	3,801,743
As at May 31, 2017	**3,594,769**	**108,973**	**3,703,742**

(Unaudited – Expressed in Canadian Dollars)

6. DUE TO RELATED PARTIES

During the year ended February 28, 2017, the Company received a total of $9,575 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.

During the three months ended May 31, 2017, the Company received a total of $34,335 (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 May 31, 2017 was $47,153 (February 28, 2017 – $12,818).

7. 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**

(Unaudited – Expressed in Canadian Dollars)

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 7(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.

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 and the three months ended May 31, 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 and May 31, 2017	6,400,000	0.15	3.95

During the three months ended May 31, 2016, 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 three months ended May 31, 2016 was $1,384,907.

The fair value of the options granted during the three months ended May 31, 2016 is estimated on the dates of grant using the Black-Scholes option valuation model with the following assumptions:

(Unaudited – Expressed in Canadian Dollars)

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 May 31, 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)	0.25	-
Outstanding and exercisable, February 28, 2017 and May 31, 2017	369,189	0.25	0.95

As at May 31, 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 May 31, 2017, 8,235,000 issued and outstanding post-consolidation common shares were held in escrow.

(Unaudited – Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

The Company incurred charges to directors and officers, or to companies associated with these individuals during the three months ended May 31, 2017 and 2016 as follows:

	Three months ended May 31	
	2017	**2016**
	$	**$**
Accounting and corporate secretarial fees	9,607	9,125
Salaries capitalized as application development costs	18,678	-
Management fees	24,500	3,125
Share issue costs	-	5,750
Share-based payment	-	367,866
	52,785	385,866

Accounts payable and accrued liabilities at May 31, 2017 includes $37,639 (February 28, 2017 – $30,430) due to the CTO, 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, CTO, CFO and the Directors. During the three months ended May 31, 2017, compensation paid to key management consisted of management fees of $24,500 (2016 – $3,125) paid to the former President and current President and CEO, application development costs of $18,678 (2016 – $nil) paid to the CTO, accounting and corporate secretarial fees of $9,607 (2016 – $9,125) and share issue costs of $nil (2016 – $5,750) paid to a company controlled by a director and in which the CFO is an associate, and share-based payments of $nil (2016 – $367,866) made to the President, CEO, CFO and the Directors.

Other amounts due to related parties are disclosed in Note 6.

9. 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 three months ended May 31, 2017, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

- $94,988 of application development costs included in accounts payable and accrued liabilities at May 31, 2017.

(Unaudited – Expressed in Canadian Dollars)

During the three months ended May 31, 2016, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

- The Company issued 25,000,000 post-consolidation common shares at a value of $3,750,000 pursuant to the Transaction (Note 5).
- The Company issued 2,000,000 post-consolidation common shares at a value of $300,000 pursuant to the Transaction (Note 5).
- The Company issued 375,189 finders' warrants at a value of $56,725 pursuant to a private placement (Note 7).

10. 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:

	May 31, 2017	**February 28, 2017**
	$	**$**
Canada	3,024,600	3,346,969
Asia	707,164	771,889
Total assets	3,731,764	4,117,858

Geographic segmentation of the Company's net loss during the three months ended May 31, 2017 and 2016 is as follows:

	Three months ended May 31	
	2017	**2016**
	$	**$**
Canada	347,001	1,521,424
Asia	237,095	21,095
Net loss	584,096	1,542,519

11. 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.

12. SUBSEQUENT EVENTS

On June 23, 2017, the Company entered into a promissory note agreement with a shareholder for proceeds of $100,000, maturing on June 23, 2019. The promissory note is unsecured and bears an interest rate of 4% per annum, calculated on the principal balance, and payable on the maturity date.

On July 27, 2017, the Company completed a non-brokered private placement, issuing 8,050,331 units at a price of $0.15 per unit for gross proceeds of $1,207,550. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $0.20 per share for a period of two years from the date of issuance. As at May 31, 2017, the Company had received $575,025 of subscriptions in advance.