ORCA TOUCHSCREEN TECHNOLOGIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of the Company 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ORCA TOUCHSCREEN TECHNOLOGIES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

	March 31, 2017	December 31, 2016
ASSETS		
Current		
Cash	$ -	$ 747
Accounts receivable	7,736	7,426
Prepaid expenses	-	438
	$ 7,736	$ 8,611
LIABILITIES AND SHAREHOLDERS'DEFICIT		
Current		
Accounts payable and accrued liabilities	$ 145,082	$ 127,806
Due to related parties (Note 10)	98,085	98,085
	243,167	225,891
Shareholders' deficiency		
Share capital (Note 9)	3,993,647	3,993,647
Reserve (Note 9)	1,077,567	1,077,567
Share subscription	29,539	29,539
Deficit	(5,336,184)	(5,318,033)
	(235,431)	(217,280)
	$ 7,736	$ 8,611

Nature of operations and going concern (Note 1)

Approved and authorized by the Board:

/s/ " Jong Hyub Choi"	Director	*/s/ "Brian Gusko"*	Director
Jong Hyub Choi		**Brian Gusko**	

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

ORCA TOUCHSCREEN TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

		Three months ended March 31, 2017		Three months ended March 31, 2016
EXPENSES				
Amortization of intangible asset (Note 4)	$	-	$	2,331
Audit and accounting fees		3,500		4,500
Business development (Note 7)		-		184,600
Consulting fees		758		143,708
Filing and regulatory		1,234		11,287
General and administrative		659		1,934
Investor relations (Note 8)		-		6,000
Legal fees		-		30,582
Management fees (Note 10)		-		24,000
Royalty payments (Notes 5 and 10)		12,000		12,000
Share-based payment (Note 9)		-		22,067
Travel		-		31,187
Loss and comprehensive loss for the period	$	(18,151)	$	(474,196)
Basic and diluted loss per common share	$	(0.00)	$	(0.01)
Weighted average number of common shares outstanding	$	56,006,438	$	53,445,231

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

ORCA TOUCHSCREEN TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended March 31, 2017	Three months ended March 31, 2016
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	$ (18,151)	$ (474,196)
Items not affecting cash:		
Amortization of intangible assets	-	2,331
Share based payments	-	22,067
Changes in non-cash working capital items:		
Accounts receivable	(310)	(2,864)
Prepaid expenses	438	54,466
Accounts payable and accrued liabilities	17,276	10,390
Due to related parties	-	16,482
	(747)	(371,324)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements - shares	-	616,031
Share issue costs	-	(110,035)
Share subscription	-	(400,031)
	-	105,965
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan receivable	-	(100,000)
	-	(100,000)
Change in cash during the period	(747)	(365,359)
Cash, beginning of period	747	384,829
Cash, end of period	$ -	$ 19,470

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

ORCA TOUCHSCREEN TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital				
	Number	Amount	Reserve	Share Subscription	Deficit	Total
Balance, December 31, 2015	52,295,234	$ 3,080,976	$ 1,014,666	$ 926,901	$ (4,274,492)	$ 748,051
Share units issued for cash (Note 9)	2,053,434	605,786	10,245	(400,031)	-	216,000
Share unit issue costs (Note 9)	-	(110,035)	-	-	-	(110,035)
Share-based compensation (Note 9)	-	-	22,067	-	-	22,067
Loss and comprehensive loss for the period	-	-	-	-	(474,196)	(474,196)
Balance, March 31, 2016	54,348,668	3,576,727	1,046,978	526,870	(4,748,688)	401,887
Balance, December 31, 2016	56,006,438	$ 3,993,647	$ 1,077,567	$ 29,539	$ (5,318,033)	$ (217,280)
Loss and comprehensive loss for the period	-	-	-	-	(18,151)	(18,151)
Balance, March 31, 2017	56,006,438	$ 3,993,647	$ 1,077,567	$ 29,539	$ (5,336,184)	$ (235,431)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Orca Touchscreen Technologies Ltd. (the "Company" or "Orca Touchscreen") was incorporated on December 31, 2013 under the *Business Corporation Act* of British Columbia. The head office of the Company is 1500 – 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company has invested in touchscreen technology in an effort to develop and sell electronic devices.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different basis of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At March 31, 2017, the Company has not achieved profitable operations and has accumulated losses of $5,336,184 (December 31, 2016 – $5,318,033) since inception and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2016. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in compliance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 30, 2017.

b) Basis of Consolidation and Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis in Canadian dollars, which is the Company's and its wholly owned subsidiary's functional currency. Functional currency is the currency of the primary economic environment in which an entity operates.

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly controlled subsidiary Orca Mobile Solutions Ltd. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated.

c) Basis of Measurement

The financial statements have been prepared on an accrual basis and are based on historical costs.

The financial statements are presented in Canadian dollars which is also the Company's and the subsidiary's functional currency.

d) Significant accounting estimates and judgments

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Assumptions used in the calculation of the fair value assigned to share-based payments
The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

Critical accounting judgments

Critical accounting judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Going concern
The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Intangible assets
The recoverability of expenditures incurred on its intangible. The Company evaluates these amounts at least annually for indicators of impairment.

3. LOAN RECEIVABLE

On December 11, 2015, the Company, through its wholly-owned subsidiary Orca Mobile, agreed to advance the principal amount of $200,000 to an unrelated third party, Smart Sollen Inc. (“Smart Sollen”) of Seoul, Korea to be used to develop its operations to procure and sell electronic components to various joint venture companies in which Orca Mobile would acquire an interest (Note 5).

The principal amount was advanced in two instalments: $100,000 on December 11, 2015 and $100,000 on January 31, 2016. The term of the agreement was 2 years. Smart Sollen agreed to repay the principal plus interest at a simple rate of 6% per annum by no later than the fifth business day following the last day of the term provided however that Orca Mobile may at any time and from time to time in its sole discretion and on 30 days’ notice convert all of the principal and interest then due into 51% of the issued and outstanding common shares of Smart Sollen as fully paid and non-assessable which would entitle Orca Mobile to appoint a majority of the members of the board of directors of Smart Sollen. If on the sixth business day following the end of the term, Orca Mobile had not so converted and if Smart Sollen failed to pay the unpaid principal and interest then due, then the unpaid principal and interest then due shall be deemed to have converted automatically as aforementioned and Orca Mobile would be entitled to appoint a majority of the directors as aforementioned.

During the year ended December 31, 2016, the Company wrote down the loan receivable to $nil as management of the Company deemed the loan uncollectible.

4. INTANGIBLE ASSET

On May 12, 2014, the Company, through its wholly-owned subsidiary Orca Mobile, entered into an Assets Purchase and Patent and Technology license agreements with Sollensys Corporation (“Sollensys”), a company incorporated and based in South Korea.

Sollensys is a related party to the Company as its principal shareholder, a senior officer and a director is GwanJe (Frank) Woo, a principal shareholder and CEO and President of the Company (Note 10).
In accordance with these agreements, the Company acquired:

(Expressed in Canadian Dollars)

i. Sollensys' patent for folding and laminating touch sensor panels to produce touchscreens for $50,000 (paid);
ii. an exclusive 6-year worldwide license to use all of Sollensys' technology and remaining 18 patents for consideration of a royalty payable as to:

- 10% on gross revenues derived from the patents; and
- 80% of the net revenues received from the sale of Sollensys products sold by the Company.

Royalty payments are due on the last day of December each year during the term and are payable as to $4,000 per month on the first day of each month beginning July 1, 2014 as a guaranteed advance payment of the royalty. During the three months ended March 31, 2017, the Company incurred $12,000 (2016 - $12,000) in royalty payments pursuant to the terms of the agreement. As at March 31, 2017, 69,292 (December 31, 2016 - $57,292) of advanced royalties are included in accounts payable and accrued liabilities.

The intangible assets were being amortized on a straight-line basis over 5.63 years starting January 1, 2015. The accumulated amortization as at March 31, 2017 is $nil (December 31, 2016 - $9,326). During the year ended December 31, 2016, the Company determined that no future benefit was expected to be derived from the intangible asset, and as a result recorded an impairment of $40,674.

	March 31, 2017	December 31, 2016
Cost	$ -	$ 50,000
Accumulated amortization	-	(9,326)
Writedown of intangible asset	-	(40,674)
Ending balance	$ -	$ -

5. INVESTMENT

On September 30, 2014, the Company entered into a letter of intent with Sollensys and Mr. Carlos Fernando Rivers Sandoval, governing the proposed incorporation of a Guatemala joint venture company called Sollen-Mobile SA ("Sollen Guatemala") for the purpose of developing, manufacturing and marketing computer and telecommunications hardware and software. The initial paid-in capital of Sollen Guatemala was US$300,000, of which the Company paid US$100,000 ($112,080 CDN) for its 30% share of the investment.

On February 11, 2016, the Company, through its wholly-owned subsidiary, Orca Mobile, entered into a definitive agreement for the joint venture which governs the investment in and the management of Sollen Guatemala.

During the year ended December 31, 2016, the investment in Sollen Guatemala was written down to $nil as the Company ceased operations in Guatemala to focus on other opportunities.

6. SHORT-TERM LOANS

During the year ended December 31, 2016, short-term loans totaling $15,000 were received by the Company from Smart Sollen for general working capital. The short-term loans bears interest at a simple rate of 6% per annum, are unsecured and are payable on demand. During the year ended December 31, 2016, the Company wrote off the short-term loan payable to Smart Sollen since the loan receivable from Smart Sollen was deemed uncollectible (Note 3).

7. BUSINESS DEVELOPMENT

On March 18, 2015, the Company entered into a service agreement with a private equity and venture capital firm (the "Firm") based in Singapore pursuant to which the Firm agreed to provide business development services. The initial term of the agreement is three years, unless terminated by either party on thirty days' written notice. Subsequently, by amendment dated October 31, 2015, the Company and the Firm agreed to change the Firm's compensation to fees at a rate of $500 per hour as invoiced. For the three months ended March 31, 2017, business development expenses were $nil (2016 - $184,600). The expenses incurred were for services provided by a firm based in Singapore.

8. INVESTOR RELATIONS

On January 30, 2015, the Company entered into a consulting agreement with Primoris Group Inc. ("Primoris"), of Toronto, Ontario, by which Primoris agreed to act as the Company's investor relations consultant by providing proactive, customized investor and media relations services. The initial term of the agreement was for 1 year, beginning January 2015. The term renews automatically on a month-to-month basis until terminated by either party on 30 days' written notice. For the three months ended March 31, 2017, the Company incurred $nil (2016 – $6,000) from Primoris for investor relation services rendered. On May 31, 2016, the agreement was terminated by mutual agreement.

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

As at March 31, 2017, 56,006,438 common shares were issued and outstanding (December 31, 2016 – 56,006,438). Details of common shares are as follows:

During the three months ended March 31, 2016:

i. On February 1, 2016, the Company completed a private placement of 1,259,244 units at a price of $0.30 per unit for gross proceeds of $377,773. Each unit is comprised of one common share and one-half warrant. The Company paid finders a commission of $66,834 which was recorded as a share issuance cost;

ii. On February 16, 2016, the Company completed a private placement of 524,190 units at a price of $0.30 per unit for gross proceeds of $157,257. Each unit is comprised of one common share and one-half warrant. The Company paid finders a commission of $27,000 which was recorded as a share issuance cost;

iii. On March 4, 2016, the Company completed a private placement of 270,000 units at a price of $0.30 per unit for gross proceeds of $81,000. Each unit is comprised of one common share and one-half warrant. The Company paid finders a commission of $16,200 which was recorded as a share issuance cost.

During the three months ended March 31, 2017 there were no common shares issued.

d) Escrow Agreement

Pursuant to a stock restriction agreement, 8,902,000 common shares of the Company are subject to restrictions on transfer. The restricted shares are to be released at 10% on the listing date and an additional 15% every six months thereafter with the final tranche being released on June 13, 2017. As at March 31, 2017, 1,335,300 (December 31, 2016 – 1,335,300) common shares of the Company are restricted.

e) Stock options

On July 15, 2014, the Company adopted a stock option plan authorizing the Company to grant options to officers, directors, employees and consultants to acquire, in the aggregate, up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum of five years and vest as determined by the Board of Directors. The exercise price of each option granted may not be less than the greater of the closing market prices of the common shares on (i) the trading day prior to the date of grant and (ii) the date of grant, pursuant to Canadian Securities Exchange Policy 6.

There were no options granted during the three months ended March 31, 2017 and 2016.

For the three months ended March 31, 2017, share based compensation expense of $nil (2016 - $22,067) based on the grant date fair value of the awards recognized over the vesting period, was recorded in net loss.

(Expressed in Canadian Dollars)

Details of stock options activities for the three months ended March 31, 2017 are as follows:

	Number of options	Weighted Average Exercise Price
Balance outstanding, December 31, 2015, December 31, 2016 and March 31, 2017	2,900,000	$0.20
Balance exercisable, March 31, 2017	2,900,000	$0.20

The weighted average remaining life of options outstanding is 3.72 years.

d) Warrants

There were no warrants granted during the three months ended March 31, 2017.

The fair value of warrants issued during the twelve months ended December 31, 2016 was determined using the Black Scholes pricing model with the following assumptions:

	2016
Risk-free interest rate	0.59%~0.89%
Annualized volatility	100%
Expected dividend yield	Nil
Expected warrant life in years	5.0
Weighted average fair value of warrants issued	$0.01

Details of warrants activity is as follows:

	Number of warrants	Weighted Average Exercise Price	Expiry Date
Balance outstanding, December 31, 2014	-	$ -	
May 11, 2015 private placement	935,708	0.55	2020-05-11
July 27, 2015 private placement	778,859	0.40	2020-07-27
July 28, 2015 private placement	448,797	0.40	2020-07-28
September 25, 2015 private placement	1,863,302	0.40	2020-09-25
November 30, 2015 private placement	1,382,265	0.40	2020-11-30
Balance outstanding, December 31, 2015	5,408,931	$0.43	
February 1, 2016 private placement	629,622	0.40	2021-02-01
February 16, 2016 private placement	262,095	0.40	2021-02-16
March 4, 2016 private placement	135,000	0.40	2021-03-04
April 18, 2016 private placement	735,575	0.40	2021-04-18
August 16, 2016 private placement	93,310	0.40	2021-08-16
Balance outstanding, December 31, 2016 and March 31, 2017	7,264,533	$0.42	-

The weighted average remaining life of warrants outstanding is 3.57 years.

g) Reserve

The Company’s equity reserve is comprised of share-based payments and the fair value of warrants issued.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

Related party transactions are comprised of services rendered by directors and/or officers of the Company and a company controlled by an officer of the Company. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key management personnel are the Chief Executive Officer, the Chief Financial Officer, the Secretary and three Directors of the Company. The remuneration of key management personnel is as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Management fees	$ -	$ 24,000
Accounting fees	-	4,500
Legal fees	-	17,077
	$ -	$ 45,577

As at March 31, 2017, $98,085 (December 31, 2016 - $98,085) was due to officers of the Company for unpaid management fees.

On May 12, 2014, the Company, through its wholly-owned subsidiary Orca Mobile, entered into an Asset Purchase Agreement and a Patent and Technology License Agreement (the "Agreement"), both with Sollensys. Sollensys is a related party to the Company as its principal shareholder, a senior officer and a director is GwanJe (Frank) Woo, a principal shareholder and CEO and President of the Company (Note 5).

For the three months ended March 31, 2017, the Company incurred $12,000 (2016 - $12,000) in advance royalty payments in accordance with the Agreement.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: Inputs for the asset or liability that is not based upon observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, loans receivable accounts payable and accrued liabilities and short-term loans payable approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017, the Company had a cash balance of $nil to settle current liabilities of $243,167.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance on-going developments of its technology, such capital to be derived from the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future development of its technology, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and the success of its technology. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits exposure to credit risk on liquid financial assets by maintaining its cash with high-credit quality financial institutions.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and restricted cash. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at March 31, 2017, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Price risk

The markets for touchscreens are fragmented, highly competitive and rapidly changing. With the introduction of technological advances and new entrants into these markets at a rapid pace, the Company expects competition to intensify in the future, which could harm the Company's ability to develop a customer base for its products and to begin generating revenue.

12. CAPITAL MANAGEMENT

The Company considers capital to be the sole element of shareholders' equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the sale and distribution of its products. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.